

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.



**OFFICIAL STATEMENT OF THE
OHIO WATER DEVELOPMENT AUTHORITY**

Relating to the Original Issuance of

\$37,730,000

STATE OF OHIO

**DRINKING WATER ASSISTANCE FUND REFUNDING REVENUE BONDS,
LEVERAGE SERIES 2014**

Dated: Date of Issuance

Due: As shown herein

The State of Ohio \$37,730,000 Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2014 (the "Series 2014 Leverage Refunding Bonds") are special obligations of the Ohio Water Development Authority (the "Authority"). The proceeds of the Series 2014 Leverage Refunding Bonds shall be used by the Director of Environmental Protection of the State of Ohio (the "Director") and the Authority to (a) refund a portion of the Authority's outstanding Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2005B and Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2008 (the "Refunded Bonds"), and (b) pay issuance expenses relating to the issuance of the Series 2014 Leverage Refunding Bonds. See "AUTHORIZATION AND PURPOSE OF THE SERIES 2014 LEVERAGE REFUNDING BONDS."

The Series 2014 Leverage Refunding Bonds are issued pursuant to a Trust Agreement dated as of May 1, 2002, among the Authority, the Director and U.S. Bank National Association, Columbus, Ohio, as Trustee (the "Trustee"), as amended and supplemented (the "Trust Agreement"). Principal of and interest on the Series 2014 Leverage Refunding Bonds are payable solely from, and are secured on a parity with outstanding Leverage Bonds and any other Leverage Bonds (or notes issued in anticipation thereof) that the Authority may issue in the future by, a pledge and assignment of Pledged Revenues, consisting primarily of the principal portion of the repayments by Governmental Agencies pursuant to the DWAF Loan Agreements (as described herein) entered into pursuant to the Drinking Water Assistance Fund Program, and by certain funds created by the Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT OF THE SERIES 2014 LEVERAGE REFUNDING BONDS."

Interest on the Series 2014 Leverage Refunding Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2015. The Series 2014 Leverage Refunding Bonds will be issued as fully registered bonds without coupons, one for each maturity, under a book entry method, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Individual purchases of Series 2014 Leverage Refunding Bonds will be made in book-entry only form, with those book-entry interests in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Series 2014 Leverage Refunding Bonds will not receive certificates representing their interests in the Series 2014 Leverage Refunding Bonds. Ownership by the beneficial owners of the Series 2014 Leverage Refunding Bonds will be evidenced by book-entry only. The principal of, premium, if any, and interest on the Series 2014 Leverage Refunding Bonds will be paid by the Trustee. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2014 Leverage Refunding Bonds will be made to such registered owner and disbursement of such payments to the beneficial owners will be the responsibility of DTC and the DTC Participants. DTC is required by its rules and procedures to remit such payments to DTC Participants for subsequent disbursement to the beneficial owners. See "APPENDIX G - BOOK-ENTRY SYSTEM."

The Series 2014 Leverage Refunding Bonds are not subject to redemption prior to their stated maturities. See "THE SERIES 2014 LEVERAGE REFUNDING BONDS – General Terms."

The Series 2014 Leverage Refunding Bonds are limited obligations of the Authority and are payable solely out of certain revenues and security interests of the Authority pledged therefor under the Trust Agreements. The Series 2014 Leverage Refunding Bonds do not constitute a debt or a pledge of the faith and credit of the Authority, or the State of Ohio or of any political subdivision thereof, and the Holders or owners thereof shall have no right to have taxes levied by the General Assembly of the State of Ohio or the taxing authority of any political subdivision thereof, for the payment of principal of, interest on, the Series 2014 Leverage Refunding Bonds.

The Series 2014 Leverage Refunding Bonds are offered subject to the opinions on certain legal matters relating to their issuance by Squire Patton Boggs (US) LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Benesch, Friedlander, Coplan & Aronoff LLP, and for the Underwriters by their counsel, Bricker & Eckler LLP. The Series 2014 Leverage Refunding Bonds are expected to be available for delivery to DTC in New York, New York on or about December 9, 2014.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

JEFFERIES

KEYBANC CAPITAL MARKETS, INC.

Barclays

Morgan Stanley

Ramirez & Co., Inc.

MATURITY SCHEDULE

\$37,730,000
STATE OF OHIO
DRINKING WATER ASSISTANCE FUND
REFUNDING REVENUE BONDS, LEVERAGE
SERIES 2014

<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP No.*</u>
12/01/2016	\$ 745,000	3.00%	0.400%	67765Q AP1
06/01/2017	885,000	5.00	0.600	67765Q AQ9
12/01/2017	1,485,000	5.00	0.700	67765Q AR7
06/01/2018	1,485,000	5.00	0.900	67765Q AS5
12/01/2018	3,705,000	5.00	1.000	67765Q AT3
06/01/2019	3,710,000	5.00	1.190	67765Q AU0
12/01/2019	3,580,000	5.00	1.290	67765Q AV8
06/01/2020	3,575,000	5.00	1.510	67765Q AW6
12/01/2020	3,190,000	5.00	1.610	67765Q AX4
06/01/2021	3,190,000	5.00	1.800	67765Q AY2
12/01/2021	3,400,000	5.00	1.900	67765Q AZ9
06/01/2022	3,395,000	5.00	2.060	67765Q BA3
12/01/2022	4,000,000	5.00	2.120	67765Q BB1
12/01/2023	695,000	4.00	2.260	67765Q BC9
06/01/2024	690,000	5.00	2.320	67765Q BD7

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FINANCING PARTIES

OHIO WATER DEVELOPMENT AUTHORITY MEMBERS*

		Expiration of <u>Term</u>	<u>Business Affiliation</u>
JAMES JOYCE	Chairman	July 1, 2017	HR Gray
JIMMY STEWART	Vice Chairman	July 1, 2019	Ohio Gas Association
GLORIA FAUSS	Member	July 1, 2016	Consultant
LOREE SOGGS	Member	July 1, 2015	Cleveland Building and Construction Trades Council
DAVID GOODMAN	Ex Officio Member	Not applicable	Director – Development Services Agency
JAMES ZEHRINGER	Ex Officio Member	Not applicable	Director – Department of Natural Resources
CRAIG W. BUTLER	Ex Officio Member	Not applicable	Director – Ohio EPA

**The Authority's Board currently has one vacancy*

SECRETARY-TREASURER

SCOTT L. CAMPBELL

EXECUTIVE STAFF OF THE OHIO WATER DEVELOPMENT AUTHORITY

STEVEN J. GROSSMAN, Executive Director

SCOTT L. CAMPBELL, Chief Operating Officer

KEN J. HEIGEL, Chief Engineer

SUE SMITH FARMER, Local Government Loan Officer

GENERAL COUNSEL TO THE AUTHORITY

BENESCH, FRIEDLANDER, COPLAN & ARONOFF LLP

Cleveland, Ohio

EXECUTIVE STAFF OF THE OHIO ENVIRONMENTAL PROTECTION AGENCY

CRAIG W. BUTLER, Director

BOND COUNSEL

SQUIRE PATTON BOGGS (US) LLP

Cleveland, Ohio

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.

Cleveland, Ohio

DRINKING WATER ASSISTANCE FUND TRUSTEE

THE HUNTINGTON NATIONAL BANK

Columbus, Ohio

TRUSTEE

U.S. BANK NATIONAL ASSOCIATION

Columbus, Ohio

STATE MATCH TRUSTEE

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Cincinnati, Ohio

INDEPENDENT AUDITORS

CLARK, SCHAEFER, HACKETT & CO.

Springfield, Ohio

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2014 Leverage Refunding Bonds identified on the cover hereof. No person has been authorized by the State, the Director, the Authority or the Underwriters to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation not so authorized must not be relied upon as having been given or authorized by the State, the Director, the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of Series 2014 Leverage Refunding Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the State, the Director or the Authority since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Upon issuance, the Series 2014 Leverage Refunding Bonds will not be registered by the Authority under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Authority, will pass upon the accuracy or adequacy of this Official Statement or approve the Series 2014 Leverage Refunding Bonds for sale. This Official Statement includes the cover page and appendices attached hereto.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 LEVERAGE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE.

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OFFICIAL STATEMENT
\$37,730,000
STATE OF OHIO
DRINKING WATER ASSISTANCE FUND REFUNDING REVENUE BONDS
LEVERAGE SERIES 2014

INTRODUCTION

The purpose of this Official Statement of the Ohio Water Development Authority (the “Authority”), which includes the cover page and appendices hereto, is to set forth information with respect to the State of Ohio Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2014 (the “Series 2014 Leverage Refunding Bonds”) to be issued by the Authority. This Official Statement describes the Authority and the purpose, terms and sources of payment of, and security for, the Series 2014 Leverage Refunding Bonds. The Authority has provided all financial and other data included herein, except where specifically attributed to other sources.

The Series 2014 Leverage Refunding Bonds are being issued pursuant to a Trust Agreement dated as of May 1, 2002, as supplemented and amended (collectively, the “Trust Agreement”), by and among the Authority, the Director of Environmental Protection of the State of Ohio (the “Director”) and U.S. Bank National Association, as trustee (the “Trustee”). The Series 2014 Leverage Refunding Bonds will be dated the date of issuance, and will mature on the dates set forth on the inside cover page hereof. See “THE SERIES 2014 LEVERAGE REFUNDING BONDS.”

The Series 2014 Leverage Refunding Bonds are also issued under the Amended and Restated Drinking Water Assistance Fund Trust Agreement dated as of May 1, 2002 (the “DWAF Trust Agreement”), as supplemented and amended, by and among the Authority, the Director and The Huntington National Bank (the “DWAF Trustee”) pursuant to which certain amounts, including proceeds of certain Leverage Bonds, will be used to fund loans made pursuant to DWAF Loan Agreements (as defined herein). See “THE DRINKING WATER ASSISTANCE FUND PROGRAM - The DWAF Trust Agreement – Capitalization.”

The Series 2014 Leverage Refunding Bonds are special obligations of the Authority, the principal of and interest on which will be payable solely from the revenues and other moneys assigned and pledged by the Trust Agreements to secure such payment. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 LEVERAGE REFUNDING BONDS.”

This Official Statement also includes descriptions of certain laws and regulations applicable to the Authority, certain provisions of the Trust Agreements securing the Series 2014 Leverage Refunding Bonds and certain other materials. These descriptions are qualified by reference to the entire text of such documents, copies of which are available upon request to the Ohio Water Development Authority, 480 South High Street, Columbus, Ohio 43215, Attn.: Secretary-Treasurer.

Definitions of certain capitalized terms which are used in this Official Statement are set forth in “APPENDIX D - CERTAIN DEFINITIONS.”

AUTHORIZATION AND PURPOSE OF THE SERIES 2014 LEVERAGE REFUNDING BONDS

The Series 2014 Leverage Refunding Bonds are authorized and issued on a parity with the outstanding Leverage Bonds and any other Leverage Bonds that may be issued in the future under the Trust Agreement. The Series 2014 Leverage Refunding Bonds are issued under and pursuant to provisions of Section 2i of Article VIII of the Constitution of the State and Chapter 6121, Sections 9.98 through 9.983 and Section 6109.22 of the Ohio Revised Code and the Leverage General Bond Resolution, a Series Resolution adopted by the Authority on October 30, 2014, and a Certificate of Award executed by the Authority on November 13, 2014.

The Series 2014 Leverage Refunding Bonds are to be issued for the benefit of the Drinking Water Assistance Fund Program, which is used by the Director and the Authority to (a) refund a portion of the Authority’s Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2005B (the “Series 2005B Leverage Bonds”) and

Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2008 (the “Series 2008 Leverage Bonds”) (as to those Series 2005B Leverage Bonds and Series 2008 Leverage Bonds to be refunded, the “Refunded Bonds”), which were issued to, *inter alia*, make loans (the “DWAFF Loans”) to Governmental Agencies to pay the costs of public water treatment systems, and (b) pay issuance expenses relating to the issuance of the Series 2014 Leverage Refunding Bonds. See “SOURCES AND USES OF FUNDS.” In addition to using the proceeds of the Series 2014 Leverage Refunding Bonds and other Leverage Bonds to fund these costs, the Director and the Authority will use funds provided under the United States Treasury Department’s Automated Standard Application for Payments System (the “ASAP System”), the State Match (see “THE DRINKING WATER ASSISTANCE FUND PROGRAM - Background”), and any funds appropriated by the General Assembly for the purpose of making DWAFF Loans to certain Governmental Agencies to finance portions of such costs paid by those Governmental Agencies pursuant to Drinking Water Assistance Fund Loan Agreements (the “DWAFF Loan Agreements”) between the Authority, the Director and the respective Governmental Agencies.

PLAN OF REFUNDING

Pursuant to the Trust Agreement, the Authority issued the Refunded Bonds in the original principal amount of \$61,135,000 as to the Series 2005B Leverage Bonds, of which \$21,000,000 are outstanding as of the date of this Official Statement, and in the original principal amount was \$71,915,000 as to the Series 2008 Leverage Bonds, of which \$39,010,000 are outstanding as of the date of this Official Statement. Pursuant to an Escrow Agreement, to be dated the date of delivery of the Series 2014 Leverage Refunding Bonds, the net proceeds of the Series 2014 Leverage Refunding Bonds will be deposited in the Escrow Fund established under the Series 2014 Leverage Refunding Bond Resolution (the “2014 Leverage Escrow Fund”) to be held in trust thereunder. That amount will be used, in accordance with the Escrow Agreement to purchase certain direct noncallable obligations of the United States of America having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, sufficient, together with any other moneys remaining in the 2014 Leverage Escrow Fund after such purchase, for the payment of all principal of, and premium and interest on, the Refunded Bonds through the earliest optional redemption date for such Refunded Bonds (the “Redemption Date”). Upon the purchase of these direct noncallable obligations of the United States of America, according to the terms of the Trust Agreement, the Refunded Bonds will be deemed paid and discharged.

The following tables show the portion of the Refunded Bonds of each maturity to be refunded with the proceeds of the Series 2014 Leverage Refunding Bonds

BONDS TO BE REFUNDED SERIES 2005B LEVERAGE BONDS

<u>Maturity Date</u>	Principal Amount Outstanding Before <u>Refunding</u>	Principal Amount to be <u>Refunded</u>	Principal Amount Outstanding After <u>Refunding</u>
12/01/2018	\$1,595,000	\$1,420,000	\$175,000
12/01/2019	3,080,000	2,900,000	180,000
12/01/2020	1,535,000	1,335,000	200,000
12/01/2021	3,665,000	3,450,000	215,000
12/01/2022	2,310,000	2,075,000	235,000
06/01/2026	2,845,000	2,680,000	165,000

BONDS TO BE REFUNDED
SERIES 2008 LEVERAGE BONDS

<u>Maturity Date</u>	Principal Amount Outstanding Before <u>Refunding</u>	Principal Amount to be <u>Refunded</u>	Principal Amount Outstanding After <u>Refunding</u>
12/01/2018	\$1,745,000	\$1,745,000	-0-
12/01/2019	3,605,000	3,605,000	-0-
12/01/2020	3,785,000	3,785,000	-0-
12/01/2021	3,980,000	3,980,000	-0-
12/01/2022	4,180,000	4,180,000	-0-
12/01/2023	4,395,000	4,395,000	-0-
12/01/2024	4,615,000	4,615,000	-0-

THE DRINKING WATER ASSISTANCE FUND PROGRAM

Background

In the Safe Drinking Water Act Amendments of 1996 (the “Amendments”), the United States Congress authorized the Administrator of the USEPA (as defined herein) to create a drinking water state revolving fund (“DWSRF”) program 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. The Administrator awards capitalization grants to the states, which in turn use the grants and their 20% state match funds to provide low-cost loans and other types of assistance to eligible drinking water systems. The Amendments also permit a state to transfer up to a third of the amount of its DWSRF capitalization grant to its clean water or wastewater state revolving fund (the “Water Pollution Control Loan Fund”), or vice versa. The Director has no current intention to utilize those transfer provisions.

Under legislation effective November 26, 1997, the General Assembly created an Ohio DWSRF, designated the “Drinking Water Assistance Fund” (“DWAF”). The DWAF is administered by the Director of OEPA through the OEPA’s Division of Drinking and Groundwaters and the Division of Environmental and Financial Assistance with the assistance of the Authority.

In order to receive the Federal Share, the State must agree to match the Federal Share with a deposit into the Drinking Water Assistance Fund of an amount equaling at least 20% of the total amount of all federal grant payments under the ASAP System (the “State Match”). The State Match has been funded by a combination of Authority contributions and proceeds of bonds and notes and interest earnings on those proceeds. For a description of the capitalization of the Drinking Water Assistance Fund, see “THE DRINKING WATER ASSISTANCE FUND - Capitalization.”

The Drinking Water Assistance Fund was established under Section 6109.22 of the Ohio Revised Code. Section 6109.22 of the Ohio Revised Code authorizes the Director to administer the Drinking Water Assistance Fund in a manner consistent with the Safe Drinking Water Act and to receive and disburse federal capitalization grant funds for the purposes of that Fund.

Pledge of Principal and Interest Repayments and Cross-Collateralization

Repayments of the principal of DWAF Loans, along with certain other amounts, will comprise the revenues pledged to secure the payment of principal of and interest on the Series 2014 Leverage Refunding Bonds and, to the extent not needed for that purpose, to fund additional DWAF Loans to Governmental Agencies. Repayments of the interest on the DWAF Loans, along with certain other amounts, comprise the revenues pledged to secure the payment of principal of and interest on the Authority’s State Match Bonds and, to the extent not needed for that

purpose, to fund additional DWAF Loans to Governmental Agencies. See “SECURITY AND SOURCE OF PAYMENT FOR SERIES 2014 LEVERAGE REFUNDING BONDS – General.”

Certain DWAF Loans may be made to Governmental Agencies and other applicants that qualify as disadvantaged communities. Some of these loans may be made under a DWAF Loan Agreement that obligates a Governmental Agency to repay less than all of the principal amount of the loan and that allows the Authority and the Director to forgive the repayment of the balance of the principal (“Principal Forgiveness Loans”). Under the Trust Agreement, neither the Authority nor the Director shall (i) approve any Principal Forgiveness Loan without specifying at the time of the approval thereof what portion of the principal amount thereof is required to be repaid, or (ii) execute and deliver any DWAF Loan Agreement for a Principal Forgiveness Loan unless the applicable DWAF Loan Agreement expressly specifies the amount of that portion. The Trust Agreement further provides that the Authority and the Director may not make Principal Forgiveness Loans in any period of time for which the Administrator of the USEPA makes Federal Capitalization Grants under the Safe Drinking Water Act in an aggregate principal amount that exceeds the lesser of (i) the maximum amount that the Safe Drinking Water Act at the time permits the Authority and the Director to make Principal Forgiveness Loans during that period of time, or (ii) the full amount of the Federal Capitalization Grant awarded to the Director for that period of time, net of any portion thereof not required under the Safe Drinking Water Act to be deposited in the Water Supply Revolving Loan Account of the Drinking Water Assistance Fund. The Authority and the Director may not carry-forward any unused Principal Forgiveness Loan capacity from one year to the next. The Director may also determine to extend the repayment period of loans to disadvantaged communities to up to 30 years.

The Director and the Authority have implemented a process of cross-collateralization between the Water Pollution Control Loan Fund and the Drinking Water Assistance Fund to enhance the security of bonds issued for the Drinking Water Assistance Fund and for the Water Pollution Control Loan Fund. See “SECURITY AND SOURCE OF PAYMENT FOR SERIES 2014 LEVERAGE REFUNDING BONDS – Cross-Collateralization.”

The Drinking Water Assistance Fund

Administration

The Drinking Water Assistance Fund is administered within the Ohio Environmental Protection Agency (the “OEPA”) by the Division of Environmental and Financial Assistance (“DEFA”) and the Division of Drinking and Ground Water (“DDAGW”), both of which report to the Director. DEFA was organized in December 1989, from sections within the Division of Water Pollution Control of the OEPA which were responsible for the administration of the Federal construction grants program. DEFA and DDAGW are responsible for the creation and administration of the Drinking Water Assistance Fund. See “THE OHIO ENVIRONMENTAL PROTECTION AGENCY – Organization and Administration of Division of Environmental and Financial Assistance (DEFA)” and “THE OHIO ENVIRONMENTAL PROTECTION AGENCY – Organization of the Division of Drinking and Ground Waters (DDAGW).” Also see “THE OHIO ENVIRONMENTAL PROTECTION AGENCY – Outline of the Drinking Water Assistance Fund Project Process” for a description of the requirements of the Drinking Water Assistance Fund with respect to the planning, design, construction and certification of Projects.

The State is required to enter into binding commitments to provide loans and financial assistance to eligible entities in an amount not less than 120% of the total amount of grant payments, to the ASAP System within one year after such payments. The Authority and Director have entered into certain DWAF Loan Agreements to comply with this requirement for funds associated with capitalization grants for all federal fiscal years for which federal capital grants have been made. Under the DWAF Loan Agreements, the Authority and the Director have provided and will provide DWAF Loans to Governmental Agencies at below market interest rates.

Funds in the Drinking Water Assistance Fund may also be used to pay the reasonable costs of administering the Drinking Water Assistance Fund. The Director is currently charging a service fee (which is held outside of the Drinking Water Assistance Fund) to defray additional administrative costs, including, but not limited to, certain Drinking Water Assistance Fund Program costs of the Authority.

Capitalization

Since its creation in 1997, the Drinking Water Assistance Fund has been awarded capitalization grants in the amounts set forth below. The required State Match has been funded by a combination of Authority contributions, DWAF State Match Bond Anticipation Notes and State Match Bonds and related interest earnings.

CAPITALIZATION GRANTS FOR FEDERAL FISCAL YEARS 1998 THROUGH 2014

<u>Federal Fiscal Year of Award</u>	<u>Capitalization Grant Allotments</u>	<u>State Match Required</u>	<u>Funding Source of State Match</u>
1998	\$ 43,073,000	\$8,614,600	Authority
1999	22,806,200	4,561,240	Authority
2000	48,745,300 *	9,749,060	State Match Series 2001 Notes **
2001	24,944,900	4,988,980	State Match Series 2001 Notes **
2002	24,547,600	4,909,520	State Match Series 2001 Notes / Series 2002 State Match Bonds
2003	24,400,100	4,880,020	Series 2002 State Match Bonds
2004	25,311,500	5,062,300	Series 2002 State Match Bonds/ Series 2004 State Match Bonds
2005	25,257,900	5,051,580	Series 2004 State Match Bonds
2006	24,670,900	4,934,180	Series 2004 State Match Bonds
2007	24,671,000	4,934,200	Series 2004 State Match Bonds
2008	24,421,000	4,884,200	Series 2004 State Match Bonds
2009	24,421,000	4,884,200	Series 2004 State Match Bonds
2011	43,610,000	8,722,000	Series 2004 State Match Bonds
2011	30,261,000	6,052,200	Series 2004/2010 and State Match Bonds
2012	30,339,000	6,067,800	Series 2010 State Match Bonds
2013	27,058,000	5,411,600	Series 2004 State Match Bonds
2014	24,586,000	4,917,200	Series 2004 State Match Bonds/ 2014 Notes
TOTALS	\$493,124,400	\$98,624,880	

* Comprised of two allotments

** Refunded by Series 2002 State Match Bonds

In September 1998, the United States Environmental Protection Agency approved the State's application for its initial capitalization grant for the DWAF in the amount of \$43,073,000. Pursuant to the DWAF Inter-Agency Agreement between the Authority and the Director, the Authority provided \$8,614,000 to the DWAF to fund the State's 20% match for the first capitalization grant, and to provide an immediately available source of funds for loans from the DWAF. In anticipation of the approval of that application and in order to proceed with awarding loans from the DWSRF, the DWAF made its first loan in August 1998. In September 1999, the USEPA approved the State's second application for a capitalization grant for the DWAF in the amount of \$22,806,200. Pursuant to the DWAF Inter-Agency Agreement in effect at the time, the Authority provided \$4,561,240 to the DWAF to fund the state match for the second capitalization grant. Starting with the third capitalization grant, which was approved by the USEPA in September 2000, funding for the state match has come from the issuance of State Match Series bonds and notes. The total of the grants received to date is \$493,124,400.

For the purpose of providing additional funds for the Drinking Water Assistance Loan Fund or for the purpose of refunding obligations previously issued for such purpose, the Authority, at the request of the Director, has issued the following series of Drinking Water Assistance Fund Bonds:

Drinking Water Assistance Fund Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Issuance Date</u>	<u>Purpose of Issue</u>
Drinking Water Assistance Fund Refunding Revenue Bond Anticipation Notes, State Match Series 2001 (the “DWAF Series 2001 State Match Notes”)	\$15,000,000	February 2001	To fund the state match of \$14,738,040 for the third capitalization grant for the DWAF
Drinking Water Assistance Fund Revenue Bonds, State Match Series 2002	\$30,000,000	May 2002	To retire the DWAF Series 2001 State Match Notes and to make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2002	\$60,000,000	May 2002	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2004	\$66,145,000	February 2004	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Revenue Bonds, State Match Series 2004	\$33,345,000	February 2004	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2005	\$36,825,000	July 2005	To advance refund certain DWAF Leverage Bonds
Drinking Water Assistance Fund Revenue Bond, Leverage Series 2005B	\$61,135,000	October 2005	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2008	\$71,915,000	May 2008	To refund certain DWAF Leverage Notes
Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2010A and 2010B	\$50,735,000	June 2010	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Revenue Bonds, State Match Series 2010A	\$19,255,000	June 2010	To make loans to governmental agencies under the DWAF program
Drinking Water Assistance Fund Refunding Bonds, Leverage Series 2010C	\$100,560,000	October 2010	To advance refund certain DWAF Leverage Bonds
Drinking Water Assistance Fund Refunding Bonds, State Match Series 2010B	\$15,850,000	October 2010	To advance refund certain DWAF State Match Bonds

Subordinate Short-Term Debt – DWAF Notes

The Authority authorized the issuance of Series 2014-15 DWAF Notes with the Series 2014-15 Note General Resolution and the Tenth Supplemental Trust Agreement, dated as of October 1, 2014 (the “Tenth Supplemental Trust Agreement”). The Series 2014-15 Note General Resolution authorizes the Authority to issue Series 2014-15 DWAF Notes in a maximum principal amount of \$200,000,000. The Series 2014-15 DWAF Notes

may be issued in multiple tranches on a subordinated basis to DWAF Leverage Bonds, pursuant to the Tenth Supplemental Trust Agreement. Under the Tenth Supplemental Trust Agreement, the Authority's authorization to issue further Series 2014-15 DWAF Notes expires on September 29, 2015. The Authority has not issued any Series 2014-15 DWAF Notes as of the date of this Official Statement.

The DWAF Trust Agreement

Since its creation in 1997, the Drinking Water Assistance Fund has been held in the custody of the DWAF Trustee (currently, The Huntington National Bank) pursuant to the DWAF Trust Agreement dated as of August 1, 1998, as amended and restated as of May 1, 2002 (the "DWAF Trust Agreement"). The DWAF Trust Agreement creates and requires to be maintained in the custody of the DWAF Trustee various subfunds of the Drinking Water Assistance Fund, including, but not limited to, the Drinking Water Assistance Fund Repayment Fund into which will be deposited payments of principal and interest on all DWAF Loans (other than any DWAF Loans depledged as described below).

Under the DWAF Trust Agreement, the DWAF Trustee will deposit the interest portion of such payments into an "Interest Fund" and the principal portion into a "Principal Fund." The moneys on deposit in the Principal Fund are pledged as security for the Leverage Bonds, including the Series 2014 Leverage Refunding Bonds, and moneys on deposit in the Interest Fund are pledged as security for the State Match Bonds. The funds, subfunds and accounts in the Drinking Water Assistance Fund and their relationship to the Series 2014 Leverage Refunding Bonds are discussed in more detail under the caption "SECURITY AND SOURCE OF PAYMENT OF SERIES 2014 LEVERAGE REFUNDING BONDS – Establishment and Application of Funds" and in "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Deposit and Disposition of Revenues."

Moneys in the Drinking Water Assistance Fund may be invested in investments permitted under the Trust Agreements. All interest earned on moneys or investments in the Drinking Water Assistance Fund will remain in that fund. See "INVESTMENTS" and "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Establishment, Application and Investment of the Drinking Water Assistance Fund." For a description of the provisions of the DWAF Trust Agreement and of the Trust Agreements regarding cross-collateralization of the Drinking Water Assistance Fund and the Water Pollution Control Loan Fund through the required investment of certain surplus moneys in those Funds, see "SECURITY AND SOURCE OF PAYMENT OF SERIES 2014 LEVERAGE REFUNDING BONDS – Mandatory Investment in DWAF Support Obligations."

The Ohio Drinking Water Assistance Fund Inter-Agency Agreement

The Authority and the Director have entered into the Ohio Drinking Water Assistance Fund Inter-Agency Agreement (the "Inter-Agency Agreement") to provide DWAF Loans and other types of financial assistance to Governmental Agencies from the Drinking Water Assistance Fund.

Pursuant to the Inter-Agency Agreement, the Director shall deposit into or cause to be deposited into the Drinking Water Assistance Fund (i) all of the Federal Share received or to be received from the USEPA and awarded to the State pursuant to the Safe Drinking Water Act, (ii) funds provided for the State Match, and (iii) the net proceeds of the Leverage Bonds.

DWAF Loans to Governmental Agencies

DWAF Loans from the Drinking Water Assistance Fund shall be made for such Projects, to such Governmental Agencies and upon such terms and conditions, as the Director shall determine in accordance with Section 6109.22 of the Ohio Revised Code. Each such DWAF Loan shall be made in accordance with a DWAF Loan Agreement entered into among the Director, the Governmental Agency and the Authority. See "– DWAF Loan Agreements" below.

Priorities for Funding; Enforcement of Remedies under DWAF Loan Agreements

The Director shall be responsible for determining the priorities for funding and the environmental review and enforcement of any environmental conditions for Projects which are funded from the Drinking Water Assistance Fund.

The Safe Drinking Water Act permits the Director to make non-governmental loans to private entities for qualifying purposes identified in the Act. Certain private borrowers may qualify for a loan with an interest rate below the standard rate. Non-governmental loan principal and interest repayments are not pledged as security for the Series 2014 Leverage Refunding Bonds.

In the event of a default under a DWAF Loan Agreement, the Authority and the Director jointly shall exercise or cause the exercise of any remedy provided in the DWAF Loan Agreement with regard to such defaults.

Financial Determination and Assistance; Goals and Strategies

The Director shall (i) determine and evaluate Projects which may be eligible for funding, (ii) set the interest rate, maturity and amortization schedule in the event that such funding is provided pursuant to a DWAF Loan Agreement, and (iii) determine the amount of funds (including both eligible and ineligible project costs in accordance with the Safe Drinking Water Act) available for each Project.

Upon the request of the Director, the Authority agrees to (i) provide assistance to the Director with respect to the foregoing, (ii) provide to the Director such financial analysis and financial strategies which the Director determines will optimize the use of the Drinking Water Assistance Fund, (iii) assist the Director in identifying and evaluating potential recipients and projects for financial assistance, (iv) advise the Director in other related matters upon request, and (v) provide direct access by the Director to Authority advisors for consultation with regard to matters affecting the Drinking Water Assistance Fund.

DWAF Loan Agreements

Pursuant to DWAF Loan Agreements, the Governmental Agencies agree to construct Projects to achieve or maintain compliance with the Safe Drinking Water Act requirements and to protect the public health objectives of the Safe Drinking Water Act, including instituting programs, or developing and implementing management plans meeting the applicable requirements of the Authority and the Director and to proceed with these Projects, submitting invoices for the costs thereof to the Authority for payment. The Authority and the Director will disburse money to the Governmental Agencies to pay such Project costs by authorizing the DWAF Trustee to pay such invoices, and the Authority and the Director will charge interest on the amounts disbursed from the dates of the disbursements. After the Project is complete and a final accounting occurs, the annual repayments to be made by each Governmental Agency will be determined based upon the actual Project costs.

In order to determine whether a Governmental Agency making application to the Authority and the Director will be able to pay the principal amounts required under its proposed DWAF Loan Agreement, including the interest thereon, the Authority and the Director will require that the Governmental Agency file a schedule setting forth all projected income from the utility system of which the Project is to become a part. If the schedule shows the existing rate structure for the utility system will not support the operating expenses of the system and the payments required by the proposed DWAF Loan Agreement and other debt, after deducting any portion thereof to be paid from special assessments and other dedicated revenues, then, prior to entering into the proposed DWAF Loan Agreement with the Governmental Agency, the Authority and the Director will require amendment of the existing rate legislation or the adoption of new rate legislation so that system revenues will, based on such computations, be sufficient to meet all of the obligations of the utility system and to make the payments required by the proposed DWAF Loan Agreement.

The Safe Drinking Water Act requires that the interest rate for DWAF Loans be at or below the market rate. Accordingly, the interest rate on a DWAF Loan is generally lower than the rate that the borrowing Governmental Agency could have obtained through its own issuance of revenue bonds. The following is a

description of the current rates and loan terms; however, the Director may make changes to the terms and programs from time to time subject to the limitations of the Safe Drinking Water Act and the Trust Agreement. The Drinking Water Assistance Fund standard interest rate is currently set monthly and is calculated by taking the average of The Bond Buyer's 20-Bond General Obligation Index (the "Index") for the eight weeks prior to those dates and subtracting up to 125 basis points from that average.

Certain Governmental Agencies may qualify for a DWAF Loan with an interest rate lower than the standard rate. Those that qualify as a "disadvantaged community" may receive loans with interest rates as low as zero percent and some may have a portion of the principal of their loan forgiven. Such Principal Forgiveness Loans will specify the portion of the principal amount thereof required to be repaid.

A Governmental Agency making application may select a payment schedule ranging from five to 20 years. A disadvantaged community may qualify for a payment schedule of up to 30 years. Repayment by a Governmental Agency commences on the earliest of three dates: (i) a date indicated in the DWAF Loan Agreement; (ii) the January 1 or July 1 following the completion of construction; or (iii) the January 1 or July 1 following the commencement of operation. Repayment must commence in most cases within 29 months after entering into the DWAF Loan Agreement.

Once the repayment periods are fixed, a Governmental Agency has no right to change such periods, and there is no right of prepayment. The Governmental Agency has the option, exercised at the time of entering into the DWAF Loan Agreement to repay its DWAF Loan by making either level debt service payments or equal annual principal payments. Regardless, payments are made semiannually.

Certain Governmental Agencies may be eligible to pay debt service on their DWAF Loans on April 1 and October 1 of each year. In order to take advantage of such payment schedule a Governmental Agency must (i) have at least \$500,000,000 of outstanding loans owed to the Authority at the time of the present loan and (ii) be rated AA+ or Aa1 by S&P and Moody's, respectively. Only DWAF Loans approved by the Board after June 1, 2010, are eligible for these adjusted repayment dates.

The Authority and the Director have covenanted to take all necessary actions to collect the payments due under the DWAF Loan Agreements from the Governmental Agencies. Such actions include sending invoices or any other appropriate demand for payment of any amount in default within 20 days after such default together with notice to the defaulting Governmental Agency that if such default is not remedied within two months from the date of default, the Authority, together with the Director, will file suit either in the Common Pleas Court of Franklin County, Ohio or the Common Pleas Court of the county in which the Governmental Agency is located to collect such amount which is in default. The Authority and the Director shall then file such suit within three months of the date of default if the default is not remedied.

Under DWAF Loan Agreements, the Governmental Agencies agree to maintain insurance coverage in such amounts as are satisfactory to the Authority and the Director on the Project facilities in such amounts and against such perils as are customary for similar facilities owned or operated by political subdivisions similar to the Governmental Agencies.

Construction and Ownership

Ownership of each Project financed by the Authority and the Director by means of the Drinking Water Assistance Fund is retained by the Governmental Agency. The Governmental Agencies agree in the DWAF Loan Agreements to segregate the revenues, funds, and properties of the Project facilities from all other revenues, funds and properties of the Governmental Agency.

Covenants to Maintain Rates

Each Governmental Agency agrees in its DWAF Loan Agreement to maintain rates and charges that are sufficient to provide for the required repayment of amounts advanced under such DWAF Loan Agreements after (i) deduction of the operating and maintenance expenses of the utility system of which the Project is part, (ii) any

contribution to the Governmental Agency's capital improvement fund, required by the Director, and (iii) payment of (a) all amounts required by any mortgage, indenture of mortgage, trust indenture or other instrument granted or entered into by the Governmental Agency and (b) contractual obligations between the Governmental Agency under any other DWAF Loan Agreement between the Governmental Agency and the Authority, to the extent that payments under (a) and (b) above are payable solely from the revenues of such utility system, less the amount of such payments provided from special assessment funds or another dedicated repayment source. In the event of a failure to make a required payment by a Governmental Agency, the primary remedies of the Authority and the Director would be a lawsuit to compel the Governmental Agency to make the payment and, if necessary, to initiate an action in mandamus to compel an increase in the rates and charges by the utility system.

Fiscal Emergency Act

Chapter 118 of the Ohio Revised Code, known as the Fiscal Emergency Act, applies only to municipal corporations that are determined to have circumstances that constitute a fiscal emergency condition. Such conditions include default on any debt obligation, failure to meet payrolls, excessive past due accounts, excessive deficits and insufficient cash and investments. If a fiscal emergency condition is determined to exist, the municipality is subjected to State financial supervision through a Financial Planning and Supervision Commission (the "Commission"), assisted by certified public accountants engaged by the Commission. The Commission must approve the amount and purpose of any issue of debt obligations by a municipality subject to the Fiscal Emergency Act. If the conditions described in the Fiscal Emergency Act occur with respect to a Governmental Agency, such Governmental Agency may be subject to State financial supervision, including control of its debt issuance and expenditures of the Governmental Agency. Such control could adversely affect the ability of the Governmental Agency to make payments under its DWAF Loan Agreement(s). Two borrowers under DWAF Loans, the City of Wellston and the Village of Lakemore, are currently subject to State financial supervision under the Fiscal Emergency Act; however, each such borrower is current on DWAF Loan payments.

Bankruptcy Considerations

The enforceability of the DWAF Loan Agreements of the Governmental Agencies is subject to the provisions of Chapter 9 of Title 11 (the "Bankruptcy Code") of the United States Code and other laws affecting creditors' rights generally. Chapter 9 of the Bankruptcy Code relates to the adjustment of debts of a state's political subdivisions, public agencies and instrumentalities ("eligible entities"), such as the Governmental Agencies. Under Chapter 9 of the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate proceedings under Chapter 9 without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including parties to its contracts. Under Section 133.36 of the Ohio Revised Code, the Ohio Revised Code authorizes Governmental Agencies to initiate such proceedings only if they receive the approval of the Tax Commissioner of the State.

SECURITY AND SOURCE OF PAYMENT OF SERIES 2014 LEVERAGE REFUNDING BONDS

General

The Series 2014 Leverage Refunding Bonds are being issued pursuant to and will be secured by the Trust Agreement. The Leverage Bonds are payable solely from and are secured equally and ratably by a pledge of: (i) the Pledged Revenues (*i.e.*, all repayments of principal made on all existing and future DWAF Loans, all Additional Pledged Loan Repayments, all income and profit from the investment and reinvestment of such payment), and all Direct Payments received by the Authority relating to Leverage Bonds), (ii) the Special Funds (*i.e.*, the Leverage Debt Service Fund, the Leverage Debt Service Reserve Fund, the Leverage Net Bond Proceeds Fund, the Surplus Principal Account, the DWAF Leverage Account and the Capitalization Grant Account), and all moneys and investments which may at any time be on deposit in the Special Funds and the income and profit from the investment of those moneys (except the Encumbered Balance in the Leverage Net Bond Proceeds Fund, the Encumbered Balance in the DWAF Leverage Account, the Encumbered Balance in the Capitalization Grant Account, any Credit Facility Proceeds and any amounts which are required to be transferred to the Leverage Rebate Fund), and (iii) any other funds and moneys which may be subjected to the pledge of the Trust Agreement by subsequent action of the Authority with the Consent of the Director.

Only the principal, and not the interest (except in limited circumstances and subject to the required prior use to cure deficiencies in the State Match Debt Service Fund or Debt Service Reserve Fund), portion of payments received from Governmental Agencies pursuant to DWAF Loan Agreements are pledged as security for the payment of the Series 2014 Leverage Refunding Bonds.

Credit Facility Proceeds may be pledged to the payment of Bond Service Charges on any one or more series of Leverage Bonds to which such Credit Facility applies. Under certain circumstances, funds in the Capitalization Grant Account of the Clearing Account described below may be used to pay Bond Service Charges on the Series 2014 Leverage Refunding Bonds. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Establishment, Maintenance and Application of Special Funds, the Net Bond Proceeds Fund and the Cost of Issuance Fund.”

Each DWAF Loan Agreement sets forth the obligations of the applicable Governmental Agency to repay the moneys loaned by the Authority and the Director, the interest rate to be paid by such Governmental Agency and the repayment provisions. Each DWAF Loan Agreement also contains the above-described rate covenant by the Governmental Agency and provides that such covenant is a duty enforceable by an action in mandamus. See “DRINKING WATER ASSISTANCE FUND PROGRAM – DWAF Loan Agreements – Covenants to Maintain Rates.” ***The Director and the Authority do not have a mortgage on or right to operate the utility system of any Governmental Agency, and the agreement of the Governmental Agencies to make the payments required by DWAF Loan Agreements are not general obligations of the Governmental Agencies.*** In the event of a failure to make a required payment by a Governmental Agency, the primary remedies of the Director and the Authority would be a lawsuit to compel the Governmental Agency to make the payment and, if necessary, to initiate an action in mandamus to compel an increase in the rates of the applicable utility system.

All principal repayments on DWAF Loans and all Additional Pledged Loan Repayments (if any), together with the investment income and profit from such repayments, received will be deposited by the Trustee in the following order: (i) to the Leverage Debt Service Fund to pay the interest, principal and mandatory sinking fund requirements for all outstanding Leverage Bonds; (ii) to the Trustee, Registrar, Paying Agent, Authenticating Agent and other fiduciaries to pay other unpaid fees, charges and expenses; (iii) to the Leverage Debt Service Reserve Fund, any amount required to cause the Value of the cash and investments in the Leverage Debt Service Reserve Fund to equal the Leverage Required Reserve Fund Balance, in accordance with the provisions of the Trust Agreement; and (iv) to the Leverage Rebate Fund, as necessary to make any payment required to be paid to the United States of America, under Section 148(f) of the Code. For a more complete discussion of the deposit and uses of Revenues, see “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Deposit and Disposition of Revenues.”

All interest payments on DWAF Loans, together with the investment income and profit from such payments, received will be deposited by the State Match Trustee in the following order: (i) to the State Match Debt Service Fund to pay the interest, principal and mandatory sinking fund requirements for all outstanding State Match Bonds; (ii) to the State Match Trustee, State Match Registrar, State Match Paying Agent, State Match Authenticating Agent and other fiduciaries to pay other unpaid fees, charges and expenses; (iii) to the State Match Debt Service Reserve Fund, any amount required to cause the Value of the cash and investments in the State Match Debt Service Reserve Fund to equal the State Match Required Reserve Fund Balance, in accordance with the provisions of the State Match Trust Agreement; and (iv) to the State Match Rebate Fund, as necessary to make any payment required to be paid to the United States of America, under Section 148(f) of the Code. For a more complete discussion of the deposit and uses of Revenues, see “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Deposit and Disposition of Revenues.”

For a statement of the debt service coverage of the Authority with respect to its outstanding DWAF Leverage Bonds as of the date of issuance of the Series 2014 Leverage Refunding Bonds, see “APPENDIX A – DEBT SERVICE SCHEDULE AND COVERAGE UPON THE ISSUANCE OF THE SERIES 2014 LEVERAGE REFUNDING BONDS.”

The Series 2014 Leverage Refunding Bonds do not constitute a debt or pledge of the faith and credit of the Authority, or the State of Ohio or of any political subdivision thereof, and the Holders and owners of the Series 2014 Leverage Refunding Bonds shall have no right to have taxes levied by the General Assembly

or the taxing authority of any political subdivision of the State for the payment of the principal of, interest or on the Series 2014 Leverage Refunding Bonds.

Cross-Collateralization

The Director and the Authority have implemented cross-collateralization between the Water Pollution Control Loan Fund and the Drinking Water Assistance Fund by providing for the investment of surplus funds available in the Water Pollution Control Loan Fund to enhance the security for state match and leverage bonds for the Drinking Water Assistance Fund and by providing for the investment of surplus funds available in the Drinking Water Assistance Fund to enhance the security for Water Quality Bonds and WPCLF Bonds issued for the Water Pollution Control Loan Fund. The Director and the Authority have agreed (i) to require the investment of certain surplus funds in the Water Pollution Control Loan Fund (i.e., Surplus Fund and the Surplus Principal Subaccount and Surplus Interest Subaccount of the Other Projects Fund) to purchase Drinking Water Assistance Fund obligations that the Authority would agree to issue for the purpose of averting, if possible, any shortfalls that might otherwise occur for the payment of state match or leverage bonds issued for the Drinking Water Assistance Fund, and (ii) to require the investment of the comparable surplus funds in the Drinking Water Assistance Fund to purchase Water Pollution Control Loan Fund obligations that the Authority would agree to issue for the purpose of averting, if possible, any shortfalls that might otherwise occur for the payment of Water Quality Bonds and WPCLF Bonds. This approach to cross-collateralization was initially approved by the Authority in 2001 and is structured in a way to comply with the Clean Water Act and the Amendments and with the Trust Agreement, the Water Pollution Control Loan Fund Trust Agreement and the trust agreements established in connection with the Drinking Water Assistance Fund and the state match and leverage bonds issued for the Drinking Water Assistance Fund, in each case as those agreements have been and may further be amended in accordance with their respective terms. The cross-collateralization does not include any pledge of the loan payments being paid into the Water Pollution Control Loan Fund or Drinking Water Assistance Fund, but is limited to the investment of the specified surplus funds available under the Water Pollution Control Loan Fund and Drinking Water Assistance Fund. See “PROGRAMS OF THE AUTHORITY – The Other Revolving Loan Program of the EPA.”

Pledge of Debt Service Reserve Fund

The Leverage Debt Service Reserve Fund shall be used solely and exclusively for the payment of Bond Service Charges on all the Leverage Bonds as they become due at their stated maturity, by redemption, or pursuant to mandatory sinking fund requirements. The Leverage Required Reserve Fund Balance that the Trust Agreement requires be on deposit in the Leverage Debt Service Reserve Fund is equal to the lesser of (i) 50% of the maximum annual Leverage Bond Service Charges on all Leverage Bonds issued and outstanding or (ii) 10% of the principal amount of all Leverage Bonds issued and outstanding.

Establishment and Application of Funds

The DWAF Trust Agreement provides for the creation of the following funds, subfunds and accounts within the Drinking Water Assistance Fund to be held by the DWAF Trustee: the Clearing Account (within which are the Capitalization Grant Account, the Leverage Account and the State Match Account), the DWAF Loan Repayment Fund, the Non-governmental Loan Repayments Fund, the Additional Pledged Loan Repayments Fund, the Interest Fund, the Principal Fund, the Surplus Principal Fund, the Surplus Interest Fund and the Other Projects Fund (within which are the Unpledged Principal Subaccount and the Surplus Principal Subaccount and the Surplus Interest Subaccount). The Trust Agreement likewise establishes certain funds, including the Leverage Net Bond Proceeds Fund, the Leverage Debt Service Fund and the Leverage Debt Service Reserve Fund which are to be held by the Trustees. The Leverage Debt Service Fund, the Leverage Debt Service Reserve Fund and the Leverage Net Bond Proceeds Fund are deemed to be a part of the Drinking Water Assistance Fund notwithstanding the fact that they are held by the Trustee.

The primary source of security for the Series 2014 Leverage Refunding Bonds will be the repayments of principal (but not interest) on existing and future DWAF Loans. Information regarding the Existing DWAF Loan Agreements and the loans made thereunder (the “Existing DWAF Loans”) is provided in “SIGNIFICANT GOVERNMENTAL AGENCY PARTICIPANTS” and in “APPENDIX B – PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS.” Upon the receipt of any

deposits in the DWAF Loan Repayments Fund, the DWAF Trustee is required to deposit the portion of such payments constituting principal into the Principal Fund. Payments of principal or of interest on Additional Pledged Loans (the “Additional Pledged Loan Repayments”) will be deposited in the Principal Fund. See “ – Conditions for Depledging Under State Match Trust Agreement; Additional Pledged Loans and Additional Pledged Loan Repayments.” On the fifteenth day of each January or July, the DWAF Trustee will transfer from the Principal Fund to the Trustee for deposit in the Leverage Debt Service Fund an amount sufficient to pay the Bond Service Charges with respect to the Series 2014 Leverage Refunding Bonds due on the next Interest Payment Date. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Establishment and Application of Funds.”

The principal repayments on DWAF Loans to be funded under future DWAF Loan Agreements with the other moneys to be deposited in the Drinking Water Assistance Fund (see “DRINKING WATER ASSISTANCE FUND PROGRAM – The Drinking Water Assistance Fund”), will provide additional Pledged Revenues to secure the Series 2014 Leverage Refunding Bonds. See “ – Conditions for Depledging Under State Match Trust Agreement; Additional Pledged Loans and Additional Pledged Loan Repayments.”

Conditions for Depledging Under State Match Trust Agreement; Additional Pledged Loans and Additional Pledged Loan Repayments

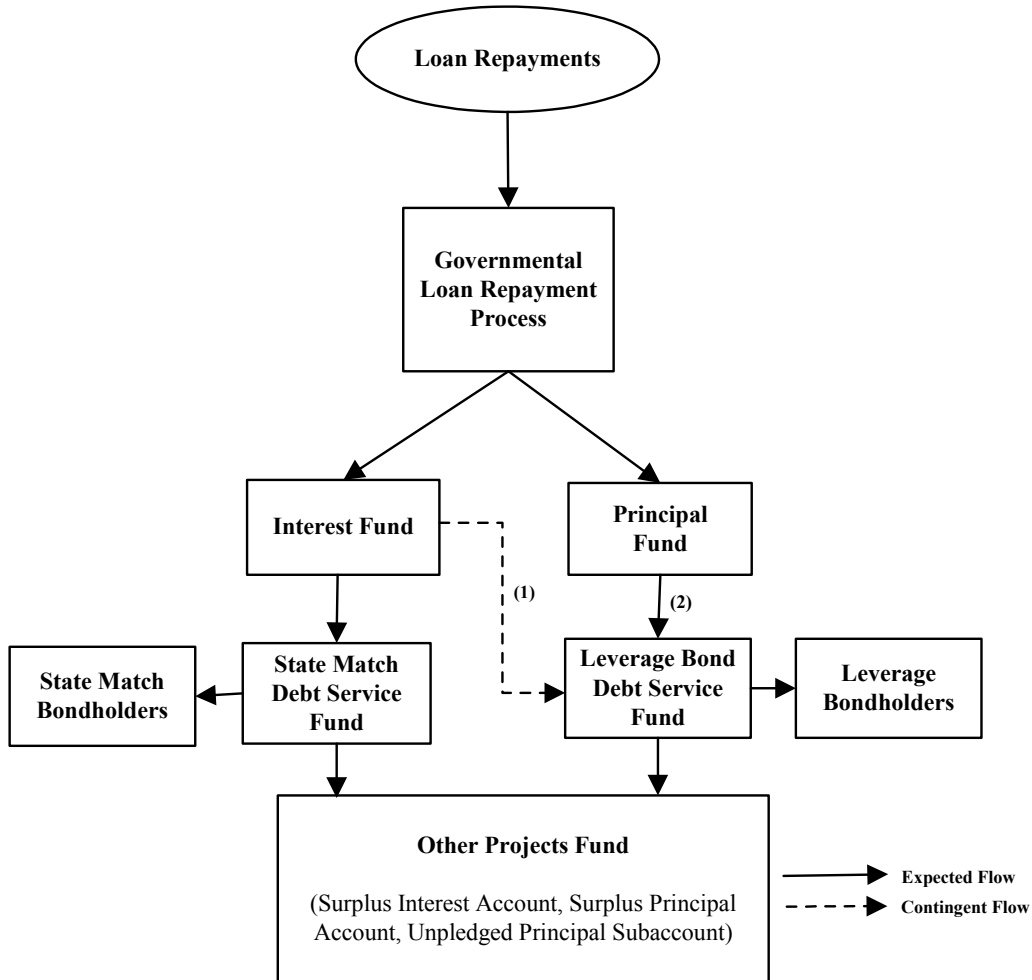
The depledging procedure contained in the State Match Trust Agreement may result in Additional Pledged Loans. Subject to certain conditions, the Authority, with the Consent of the Director, may from time to time cause the interest on one or more Existing DWAF Loans or future DWAF Loans to be removed from the revenues securing State Match Bonds and thereby terminate the pledge of such interest for the benefit of the Holders of State Match Bonds. In order to do so, the Executive Director of the Authority and the Director shall certify to the Trustee and the State Match Trustee that (i) the purpose for the removal is to cause payment of principal of or interest on such DWAF Loans to secure other debt obligations, the net proceeds of which will be deposited in the Drinking Water Assistance Fund, (ii) after the removal, the sum of the Projected Payments each calendar year shall at least equal 105% of the amount required for Bond Service Charges due in such calendar year, less all capitalized interest, if any, to be applied on all outstanding State Match Bonds and (iii) the interest on such DWAF Loans has been removed on a “last in, first out” basis. Such DWAF Loans then become Additional Pledged Loans; the Additional Pledged Loan Repayments of which are to be deposited into the Principal Fund as security for the Leverage Bonds, including the Series 2014 Leverage Refunding Bonds.

Conditions for Depledging Under the Trust Agreement

Subject to certain conditions, the Authority, with the Consent of the Director, may from time to time cause the principal repayments on one or more Existing DWAF Loans or future DWAF Loans or the Additional Pledged Loan Repayments to be removed from Revenues and Pledged Revenues and thereby terminate the pledge of such payments for the benefit of Holders of Series 2014 Leverage Refunding Bonds. In order to do so, the Executive Director of the Authority and the Director shall certify to the Trustee that (i) the purpose for the removal is to cause payment of principal of such DWAF Loans or of such Additional Pledged Loan Repayments to secure other debt obligations, the net proceeds of which will be deposited in the Drinking Water Assistance Fund (but any Non-qualified Loan may be removed for any reason), (ii) after the removal, the sum of the Projected Payments each calendar year shall at least equal 105% of the amount required for Bond Service Charges due in such calendar year, less all capitalized interest, if any, to be applied on all outstanding Leverage Bonds, and (iii) the principal of such DWAF Loans or of such Additional Pledged Loan Repayments has been removed on a “last in, first out” basis (but Non-qualified Loans may be removed on any basis selected by the Executive Director of the Authority). In addition, the Authority has agreed to give the Rating Agencies 60 days’ prior notice of any action to effect such a removal. For a more complete description of these conditions, see “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Covenants of the Authority – Depledging of Pledged Revenues.”

Application of Pledged Loan Repayments

The following diagram is a simplified representation of, and is designed solely to assist in illustrating the application of, loan repayments for the payment of bond service charges on the Leverage Bonds and the State Match Bonds. It is designed for illustrative purposes only, is in no way comprehensive or definitive, and must be read in conjunction with this entire Official Statement. Any and all descriptions and discussions of the flow of funds and security and sources of payment for the Leverage Bonds and the State Match Bonds are qualified in their entirety by reference to the Trust Agreement and the State Match Trust Agreement and the DWAF Trust Agreement, the provisions of which shall be controlling and dispositive in all cases, including any case of a disparity, discrepancy or conflict between such provisions and this diagram.



(1) Available to pay Bond Service Charges on Leverage Bonds if not required to cure State Match Bond Debt Service Fund or Debt Service Reserve Fund deficiencies.

(2) Available to pay Bond Service Charges on DWAF Notes on a subordinated basis to any outstanding Leverage Bonds.

Significant Governmental Agency Participants

As of September 30, 2014, the ten Governmental Agencies listed in the following table have the largest Existing DWAF Loans, the total principal of which constitutes approximately 48.39% of the total outstanding principal to be repaid for all Projects funded pursuant to the Existing DWAF Loan Agreements.

LGA	Number of Projects	Estimated Project Costs Funded with DWAF Loans	Remaining Principal To be Repaid	Percent of Total Remaining Principal to be Repaid for All Projects
Cleveland	11	\$153,828,126	\$110,142,266	17.73%
Cincinnati	31	51,795,204	48,342,016	7.78%
Canton	4	27,953,307	25,378,620	4.09%
Mahoning Valley Sanitary District	7	27,619,730	23,417,893	3.77%
Steubenville	3	35,301,189	23,347,809	3.76%
Columbus	7	20,740,268	16,716,461	2.69%
Warren	4	20,049,745	13,905,208	2.24%
Westerville	1	13,565,569	13,565,569	2.18%
Lancaster	2	26,529,648	13,511,148	2.18%
Bowling Green	4	16,454,275	12,264,156	1.97%
	74	\$393,837,062	\$300,591,146	48.39%

ADDITIONAL LEVERAGE BONDS

General

The Authority and Director may issue additional Leverage Bonds or Bond Anticipation Notes for the purpose of providing continuing funding for the sole benefit of the Drinking Water Assistance Fund or for the purpose of refunding previously issued and outstanding Leverage Bonds or Bond Anticipation Notes. No Leverage Bonds shall be issued unless the following conditions exist at the time of the authentication of such Leverage Bonds by the Authenticating Agent:

(i) The Executive Director will certify that the Authority is not in default in the performance of any of its covenants or obligations contained in the Trust Agreement, or any Supplemental Agreement or the Leverage Bonds, and the authentication and delivery of the Leverage Bonds will not result in any such default;

(ii) The sum of the Projected Payments to be received during each calendar year shall aggregate an amount at least equal to 105% of the amount required to be paid into the Leverage Debt Service Fund during each such calendar year to pay the Bond Service Charges due in such year, less an amount equal to any capitalized interest to be applied against the Bond Service Charges in such year on all Leverage Bonds to be outstanding after the issuance of such Leverage Bonds and the Authority will have furnished to the Trustee a certificate of the Executive Director or the Fiscal Officer of the Authority and the Director making and setting forth the calculations required by this paragraph;

(iii) The Executive Director will certify that: (a) after the issuance of such Leverage Bonds and the deposit in the Leverage Debt Service Reserve Fund of any proceeds thereof or other moneys to be deposited therein pursuant to the applicable Supplemental Agreement, the Value of cash and investments in the Leverage Debt Service Reserve Fund will equal or exceed the Leverage Required Reserve Fund Balance, or (b) simultaneously with the issuance of such Leverage Bonds, the Authority shall deliver or cause to be delivered to the Trustee a Qualified Reserve Credit Facility for the full amount of the Leverage Required Reserve Fund Balance attributable to such Leverage Bonds or such portion thereof not funded with cash and investments and permitting the Trustee to draw thereon at any time that the Trust Agreement

requires the Trustee to withdraw moneys from the Leverage Debt Service Reserve Fund, which Qualified Reserve Credit Facility shall not expire until either all such Leverage Bonds shall cease to be outstanding or until cash and investments or another Qualified Reserve Credit Facility shall have been deposited in the Leverage Debt Service Reserve Fund with a Value that equals or exceeds the Leverage Required Reserve Fund Balance;

(iv) The Director will request in writing that the Authority issue such Leverage Bonds on the terms set forth in or determined pursuant to the applicable Series Resolution, and the Executive Director shall certify that other conditions precedent to the issuance of such series of Leverage Bonds set forth in the applicable Series Resolution have been met; and

(v) No DWAF Support Obligations are outstanding, except that Leverage Bonds may be issued to refund or advance refund Leverage Bonds while DWAF Support Obligations are outstanding.

The Series Resolution authorizing any such Leverage Bonds will incorporate the covenants and requirements of the Leverage General Bond Resolution insofar as they are applicable to all Leverage Bonds. The authentication of such Leverage Bonds by the Trustee will be conclusive evidence that such requirements have been met for purposes of the validity and binding effects of those Leverage Bonds. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Additional Bonds.”

For a discussion of the various types of additional Leverage Bonds that may be issued and the computation of Bond Service Charges thereon, see “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Computation of Bond Service Charges with Respect to Additional Leverage Bonds.”

Bond Anticipation Notes

In anticipation of the issuance of any series of Leverage Bonds, the Authority may issue one or more series of Bond Anticipation Notes. All requirements of the Trust Agreement applicable to Leverage Bonds shall apply to Bond Anticipation Notes, including, without limitation, the conditions precedent for the issuance of a series of Leverage Bonds. For the purposes of determining (i) whether Leverage Bonds, regardless of whether they are to be Bond Anticipation Notes, may be issued in compliance with the requirements of the Drinking Water Assistance Fund General Bond Resolution when any Bond Anticipation Notes are outstanding, (ii) whether Leverage Bonds that are Bond Anticipation Notes may be issued in compliance with the requirements of the Drinking Water Assistance Fund General Bond Resolution, and (iii) the amount of the Leverage Required Reserve Fund Balance attributable to Bond Anticipation Notes, the Bond Service Charges on such Bond Anticipation Notes will be determined in accordance with the provisions of the Trust Agreement pertaining to Balloon Bonds and described in “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Computation of Bond Service Charges with Respect to Additional Leverage Bonds – Balloon Bonds.”

INVESTMENTS

Money in the Debt Service Fund, the Debt Service Reserve Fund, the Net Bond Proceeds Fund and the Rebate Fund will be invested and reinvested by the Trustees in Eligible Investments at the direction of the Executive Director. See “APPENDIX D – CERTAIN DEFINITIONS” and “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Investment of Special Funds and Rebate Fund.” Money in the Drinking Water Assistance Fund will be invested and reinvested in accordance with the provisions of the DWAF Trust Agreement except any Net Bond Proceeds which will be invested and reinvested by the DWAF Trustee in Eligible Investments at the direction of the Executive Director. Investments of moneys in the Debt Service Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to make payments for which such Fund is established. Investments of moneys in the Debt Service Reserve Fund will mature or be redeemable by the holders thereof not later than five years from the date of investment, except that investments of the income realized on the investment of the Debt Service Reserve Fund will mature not later than the next day on which such income is required. Debt Service Reserve Fund investments, except investment of income realized, must be of a type which pay interest on an annual or semiannual basis. Investments of moneys in the Net Bond Proceeds Fund will mature or be redeemable at the times and in the amounts necessary to provide moneys to make payments of the costs of Projects to be paid from such fund.

Any uninvested moneys in all Special Funds, the Net Bond Proceeds Fund and the Rebate Fund shall at all times be secured by the depository or custodian thereof by pledge of obligations of the United States of America to the extent and in the manner required by law for the security of deposits of public funds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2014 Leverage Refunding Bonds will be applied by the Trustee, pursuant to the terms of the Trust Agreement, for the following estimated uses:

Sources of Funds¹

Par Amount	\$37,730,000.00
Net Premium	<u>6,717,765.00</u>
Total	<u>\$44,447,765.00</u>

Uses of Funds¹

2014 Leverage Escrow Fund	\$44,133,129.00
Costs of Issuance ²	<u>314,636.00</u>
Total	<u>\$44,447,765.00</u>

¹ Totals rounded to the nearest dollar.

² Including Underwriters' discount, bond counsel fees, Underwriter's counsel fees, Trustee fees, rating agency fees and other costs.

THE SERIES 2014 LEVERAGE REFUNDING BONDS

General Terms

The Series 2014 Leverage Refunding Bonds will be dated the date of initial issuance. The Series 2014 Leverage Refunding Bonds will bear interest at the rates set forth in the inside cover page hereof payable semiannually on June 1 and December 1, commencing June 1, 2015 and mature on June 1 and December 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement.

General. The Authority is issuing the Series 2014 Leverage Refunding Bonds as obligations to which Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), applies and the interest on which is excluded from gross income for federal income tax purposes. See "TAX MATTERS"

No Series 2014 Leverage Refunding Bond is subject to redemption prior to its stated maturity.

THE AUTHORITY

General

In 1968, the Ohio General Assembly enacted Chapter 6121, Ohio Revised Code, creating the Authority. The Authority is a body both corporate and politic, constituting an agency and instrumentality of the State and performing essential governmental functions and public purposes of the State. The Authority consists of eight members. Five members of the Authority, no more than three of which shall be members of the same political party, are appointed by the Governor for eight-year, staggered terms, with the advice and consent of the State Senate. In addition, the Director of Natural Resources, the Director of Environmental Protection and the Director of Development of the State are members *ex officio* of the Authority entitled to vote and participate in Authority activities on an equal basis with the other Authority members. The Chairman and Vice Chairman of the Authority are elected from among the appointed members. The current members, officers, and staff of the Authority are identified on the page opposite the inside front cover of this Official Statement. See "THE AUTHORITY - Executive Staff of the Authority." The Authority's office is in Columbus, Ohio.

Powers of the Authority

The Authority has broad statutory authority to carry out its governmental functions, including the power to acquire public or private lands by the exercise of the right of condemnation; to make and enter into all contracts and agreements and execute all instruments necessary or incidental to the carrying out of its powers; to issue revenue bonds and notes of the State; to charge, alter, and collect rentals and other charges for the use of services of any water development project; and to do all acts necessary or proper to carry out the powers expressly granted in Chapters 6121 and 6123 of the Ohio Revised Code. The Authority and the Local Governmental Agencies are authorized to cooperate in the acquisition, construction and financing of projects, and to enter into agreements which may be necessary to effectuate such cooperation.

Executive Staff of the Authority

Steven J. Grossman, Executive Director. Mr. Grossman has served as Executive Director for the Authority since December 1, 1988. From 1983 to December 1, 1988, Mr. Grossman served as Assistant Director of the Ohio Environmental Protection Agency (“OEPA”) and from June 1987 to November 1988, he was an *ex officio* member of the Authority, designated by the Director of the OEPA. Prior to 1983, he was a program manager for the federal government and previous to that a management analyst. He earned a Bachelor of Arts degree in Economics from Lehigh University and a Master of Science degree in Management from the Sloan School of Management at the Massachusetts Institute of Technology.

Scott L. Campbell, Chief Operating Officer. Mr. Campbell became Chief Operating Officer in January 2005. Previously, he had served as the Controller to the Authority since March 1999. Mr. Campbell has been employed by the Authority since 1987. Prior to 1987, he was employed with a national public accounting firm. He received his license as a certified public accountant in 1993. He earned a Bachelor of Arts degree in Accounting from Mount Vernon Nazarene University.

Ken J. Heigel, Chief Engineer. Mr. Heigel assumed his current position in March 2003. Previously, Mr. Heigel worked for 13 years in private consulting specializing in water distribution, water treatment, wastewater collection, and wastewater treatment. From 1987 to 1990 he worked for a general contractor. Mr. Heigel has a Bachelor’s degree in Civil Engineering and a Master’s degree in Business Administration from the University of Dayton. He is a licensed professional engineer in the State of Ohio.

Sue Smith Farmer, Local Government Loan Officer. Ms. Farmer has served as Loan Officer for the Authority since September 1990. Prior to 1990, she was an environmental scientist with the Ohio Environmental Protection Agency for five years and with the Indiana Department of Environmental Management for one year, and, prior to that, was a planner with the Ohio Department of Economic and Community Development for two years. She earned a Bachelor of Arts degree in Political Science from The Western College for Women and a Master of City and Regional Planning Degree from The Ohio State University.

PROGRAMS OF THE AUTHORITY

The following information describes the current programs of the Authority. None of such programs, and none of the other Revenue Bonds and Notes described below, are related in any way to the issuance of the DWAF Bonds or the security therefor except as described under “SECURITY FOR AND SOURCES OF PAYMENT OF SERIES 2014 LEVERAGE REFUNDING BONDS” above.

Other Bond-Funded Programs of the Authority

Fresh Water and Related Programs. In 1968, the electors of the State adopted a new section of the Ohio Constitution, Article VIII, Section 2i, which authorized the issuance of general obligation bonds and notes and revenue bonds, notes or other obligations of the State for the purpose, among others, of abating water pollution. Following the issuance of general obligation bonds by the State pursuant to this new constitutional authority, the Ohio General Assembly appropriated to the Authority \$100,000,000 of the proceeds thereof. Pursuant to the provisions of Section 2i of Article VIII of the Ohio Constitution and in accordance with the provisions of Chapter

6121, as amended from time to time, the Authority has issued bonds and notes for the purpose of making loans to Local Governmental Agencies to pay certain costs of projects which abate water pollution.

Since its creation in 1968, the Authority has created and operated programs that have provided funding to Local Governmental Agencies for the cost of planning, designing, acquiring or constructing wastewater treatment facilities, interceptor sewer facilities, sewage collection facilities and water supply and distribution facilities. The Authority has issued bonds and notes in series under several different (but substantially similar) programs to provide a continuing financing source for Local Governmental Agencies to fund the costs of such projects. In order of their creation and with their years of creation indicated parenthetically, these programs were the Pollution Abatement Program (1969), the Clean Water Program (1975), the Safe Water Program (1980) and the Pure Water Program (1985). The current Fresh Water Program was established in 1992.

For the purpose of providing additional funds for the Fresh Water Program, the Authority has from time to time issued bonds and commercial paper notes. The Authority intends to issue additional bonds from time to time for the purpose of providing additional funds for the Fresh Water Programs or for the purpose of refunding obligations previously issued for such purpose.

Community Assistance Program. The Authority created the Community Assistance Program in 1983 to provide a financing alternative for Local Governmental Agencies undertaking wastewater and water supply projects for which financing at a market rate of interest would cause undue hardship to the users of the Local Governmental Agency's utility system. Upon determination that a Local Governmental Agency falls within that category, the Local Governmental Agency may enter into a cooperative agreement with the Authority providing for a loan that is repayable over 20 to 30 years, as determined by the Authority at a contract interest rate of 2% per annum or less if the Local Governmental Agency qualifies for certain discounts. This is a self-contained program with loan repayments being credited to the Community Assistance Program. The repayment of existing Community Assistance Program loans provides the source of repayment for these bonds and is pledged to secure such bonds.

The RD Loan Advance Program. The Authority established the RD Loan Advance Program in January 1996 for the purpose of making loans to Local Governmental Agencies that have received a commitment from RD to provide "Federal Assistance" (i.e., financial assistance in the form of a grant or a loan) for the planning, design, acquisition, construction or improvement of water or wastewater facilities. The purpose of the loans is to enable the Local Governmental Agencies to finance the costs of the projects pending their receipt of the proceeds of the Federal Assistance. Notes issued under the program are paid from the payments made or assigned to the Authority by the Local Governmental Agencies to which the Authority had made loans under the Program, including the Federal Assistance assigned by each such Local Governmental Agency to the Authority.

Other Revenue Bonds and Notes. To assist private industry located in the State in creating or preserving jobs and employment opportunities and in controlling air, water and thermal pollution and solid waste, and in making a safe water supply available to the public, the Authority has issued and may continue to issue revenue bonds and notes, the proceeds of which are used to finance costs of pollution control, solid waste disposal, water supply and energy resource development facilities. Payment of the principal of and interest and any premium on such revenue bonds and notes is made by the user of the facilities pursuant to a lease, loan agreement, conditional or installment sale agreement or other financing document. The Authority has no obligation to pay the debt service on such revenue bonds from any other revenues.

Non-Bond-Funded Programs of the Authority

The Authority has established the following programs and funded them with available revenues other than the proceeds of bonds or other debt obligations. The payments of the principal of and interest on the loans that the Authority makes under these programs are not pledged to the payment of any outstanding bonds of the Authority. The Authority has the discretion to use available revenues to provide additional funding for these programs and to transfer any unencumbered balance currently committed to any of these programs to other programs or to apply them to any other lawful purpose, including, without limitation, the payment of bond service charges on any outstanding bonds or other debt obligations of the Authority or the funding of reserve funds for such bond service charges.

Solid Waste Program. In 1991, the Authority adopted the Solid Waste Financing Program to provide financing for Governmental Agencies to implement their solid waste management plans. The Authority funded the program with initial seed money of \$15,000,000. Additional moneys have been deposited from time to time. Solid waste projects which may be eligible for financing include materials recovery and composting facilities, transfer stations, landfills and incinerators.

Local Economic Development Loan Program. In June 1995, the Authority established its Local Economic Development Loan Program for the purpose of making loans to Local Governmental Agencies for water and wastewater improvement projects that are recommended and requested by the Ohio Department of Development based upon expected economic development benefits. The aggregate amount of any loans that may be made under the Program to any Local Governmental Agency for any project and the term of Program loans is based upon a request to do so from the Ohio Department of Development. The rate of interest on Program loans is also to be based upon the recommendation of the Ohio Department of Development.

Brownfield Program. In 1994, the Ohio General Assembly enacted legislation that establishes the State's Voluntary Action Program to encourage and facilitate the remediation of property contaminated by hazardous substances or petroleum. Among other things, the legislation confers on the Authority the power to make loans to finance "voluntary actions": i.e., measures that may be taken to identify and address potential sources of such property contamination. The Authority has established a Brownfield Fund for that purpose.

Research and Development Grant Program. Pursuant to its power to engage in research and development with respect to wastewater, water management facilities, solid waste facilities, and energy resource development facilities, the Authority has established a grant program for qualifying research and development programs. The eligible participants are Local Governmental Agencies which perform research or development. Projects for which grants are awarded must be of such a nature that the benefits to be derived fulfill a general need in Ohio within the scope of the powers of the Authority. Grants are subject to available funds and recommendation by the director of a department of state government which is responsible for oversight. Priority is given to projects that have statewide environmental and/or natural resource application and grantees must submit a final report.

Village Capital Improvement Fund Program. In 1996, the Authority instituted the Village Capital Improvement Fund ("VCIF") Program to provide loans of up to \$25,000 for planning and \$50,000 for design of water supply and wastewater treatment projects. The VCIF is administered by the Authority jointly with the OEPA and is available only to villages, which are municipal corporations having a population of 5,000 or less. To qualify for a loan from the VCIF, an applicant must meet certain eligibility and priority criteria established for the Program. Repayment is made over up to ten years in equal annual payments.

Emergency Relief. In response to serious flood damage that occurred in the spring of 1997, the Authority created the Emergency Relief Fund and funded it with \$5,000,000 from surplus funds. Local Governmental Agencies can receive relief for two semiannual loan repayments if they are in a federal- or state-declared disaster area and have incurred loss or damage to their wastewater or water treatment facilities, equipment, or water and sewer lines.

Dam Safety Linked Deposit Program. To provide a source of advantageous financing for repairs and improvements to privately owned dams in the State, the Authority created its Dam Safety Linked Deposit Program in January 1999. Under the program, the Authority agrees to invest money in certificates of deposit from participating banks and to accept a rate of interest on its investment that is three points less than would otherwise be available for that investment, but in no event less than 3%. The participating bank in turn agrees to lend the invested money to a dam owner to finance dam improvements or repairs. To be eligible for a Program loan, the dam owner must demonstrate that the dam improvement or repair that the owner proposes to make has been ordered and approved by the Ohio Department of Natural Resources. The Authority requires that the certificates of deposit that it purchases under the Program must be federally insured or, to the extent not insured, collateralized by eligible collateral securities. The obligation of the participating banks to pay the principal of and interest on the certificates of deposit is in no way contingent on the payment by the dam owner of the owner's loan to the bank, for which the Authority assumes no responsibility.

County Coastal Erosion Loan Program. In 1999, the Ohio General Assembly enacted legislation to create a coastal erosion control loan program. Under Ohio Revised Code Section 1507.071, enacted by that legislation, counties may provide financial assistance to property owners for the construction of erosion control structures in areas defined by statute as coastal erosion areas and may obtain loans from the Authority to provide such assistance and has deposited \$10,000,000 in the Fund for that purpose. Eight counties with Lake Erie shorelines contain coastal erosion areas and are eligible to receive loans under the Program.

THE OHIO ENVIRONMENTAL PROTECTION AGENCY

The OEPA is one of the 19 administrative departments of the State, and was established under Chapter 3745.01 of the Ohio Revised Code on October 23, 1972.

The OEPA is composed of eight program divisions, five district offices, and an executive staff made up of three deputy directors, an assistant director and a director. The OEPA is responsible for the administration of regulations pertaining to the prevention, control and abatement of air and water pollution, public water supply, comprehensive water resource management planning, and the disposal and treatment of solid wastes, hazardous waste, sewage, industrial waste, and other wastes. Under Section 6109.22, the Director is authorized to administer the Drinking Water Assistance Fund and to enter into agreements with the Authority for assistance with the administration and funding of the Drinking Water Assistance Fund.

OEPA Management Staff Responsible for the Drinking Water Assistance Fund Program

Craig W. Butler, Director. Governor John R. Kasich appointed Mr. Butler Director of OEPA on February 21, 2014, after Mr. Butler briefly served as the interim Director. Mr. Butler previously served as chief of Ohio EPA's Central District Office and Southeast District Office. He is a board member of the Dangerous Wild Animal Board and is a past member of the Board of Directors for the Ohio Alliance for the Environment. Mr. Butler graduated from Mansfield University (Pennsylvania) with honors with a B.A. in Geography and Environmental Science. Mr. Butler also obtained an M.S. in Environmental Science from Ohio University.

Alauddin A. Alauddin, Chief, Division of Environmental and Financial Assistance. Mr. Alauddin has been serving as the Chief of the Division of Environmental and Financial Assistance (DEFA) since January 14, 2013. Between the Ohio Environmental Protection Agency and the Kentucky Department of Environmental Protection, Mr. Alauddin has over 18 years of combined environmental management experience. Mr. Alauddin holds a Master of Science degree in Engineering from Louisiana Tech University and is a registered Professional Engineer in the State of Ohio.

Organization of the Division of Drinking and Ground Waters (DDAGW)

The Division of Drinking and Ground Waters Engineering Section

The DDAGW Engineering Section works with Water Supply Revolving Loan Account communities through the preplanning and general planning stages to ensure that their projects will provide reliable long-term drinking water solutions. They review the projects' detailed designs to assure compliance with agreed-upon engineering practices and the Ten States Recommended Standards for Water Works. The Section monitors the projects' construction to help ensure that communities are adhering to sound construction techniques.

The DDAGW State Revolving Loan Fund Unit serves as clearinghouse and co-manager of the Drinking Water Assistance Fund with the Division of Environmental and Financial Assistance. DDAGW is responsible for preparation of the Intended Use Plan and portions of the Management Plan including set-aside terms and procedures. The State Revolving Fund Unit also serves as the primary administrator for many preplanning and program maintenance activities.

The State Revolving Fund Unit

The State Revolving Fund Unit receives the pre-application which begins the loan process. Point forms for each loan applicant are completed by District Office State Revolving Fund staff and ranked on the project Priority List by Central Office State Revolving Fund staff. Central Office and District Office State Revolving Fund staff are also responsible for reviewing the financial, managerial and technical portions of the Capability Assurance Plans which are required from each loan applicant. Central Office and District Office State Revolving Fund staff continue to coordinate and support the DEFA and the Authority throughout the remainder of the loan process including awarding the loan, project construction, certification and administrative completion.

Organization of the Division of Environmental and Financial Assistance (DEFA)

The Environmental Planning Section

The Environmental Planning Section ensures that Drinking Water Assistance Fund projects are environmentally sound and that the costs of the projects have been adequately disclosed to the system's users through appropriate public participation mechanisms. The Section helps Drinking Water Assistance Fund communities plan their projects to provide cost-effective solutions to their drinking water problems. It also monitors applicants' public participation activities during facilities plan development, and reviews project costs to determine whether significant adverse impacts from increased user fees may occur. Prior to the OEPA's decision to approve a project, the Section prepares an environmental assessment document which outlines the project's anticipated environmental and financial impacts, and circulates the document for comment to affected residents. The Section also performs similar functions for the Water Pollution Control Loan Fund revolving loan program described further below.

The Assistance Administration Section

The Assistance Administration Section is responsible for assisting communities with the completion of their DWAF Loan Agreements including the development of their user charge systems. This helps assure that communities will collect sufficient revenues to adequately repay their DWAF Loans, and to properly operate and maintain their facilities. This section also tracks loan amounts, projects disbursements and oversees loan closeout activities.

Outline of the Drinking Water Assistance Fund Project Process

Governmental Agencies applying for a DWAF Loan follow the process of planning, design and construction to complete their Projects. The goal of this process is to ensure that as a Drinking Water Assistance Fund borrower, the Governmental Agency constructs a project which provides an environmentally sound long-term solution to its safe drinking water needs, is affordable for the community, and has the ability to generate sufficient revenues to repay its loan and to provide for ongoing operation, maintenance, and replacement expenses. The DDAGW and DEFA work directly with the Governmental Agencies throughout this process by providing technical and outreach assistance to facilitate the accomplishment of that goal.

Planning

The Governmental Agency prepares a general plan (or general planning document) and capacity assurance plan. The plans define existing needs, community structure, and environmental conditions. Future needs for a period of twenty years are then projected. Based upon existing and projected future needs, alternative engineering solutions to meet these needs are developed, and analyzed by considering both the monetary and non-monetary factors associated with each alternative. Based on this analysis, an alternative is selected which provides the optimum combination of monetary and non-monetary factors. This alternative is then described as to how and when it will be implemented as a Drinking Water Assistance Fund project, and how it will be financed. The costs to the average user are analyzed in the general plan and are used as a basis, along with a community profile, of assessing whether the project is likely to cause an adverse economic impact to its users. This plan is reviewed and accepted

by the Environmental Planning Section of DEFA and accepted or approved by the Engineering Section and State Revolving Fund Unit of DDAGW.

After the general planning information is accepted, the Environmental Planning Section prepares an environmental assessment of the project, which is a document that summarizes the decision-making process that was used during general planning, describes the selected alternative in detail and how it will be implemented, what the expected environmental impacts will be from the project, and what costs to the average user are expected to be. This document is distributed to interested citizens in the community, who are given a one-month period to review the document and to make their comments on the project known to OEPA.

Design

The Governmental Agency submits detailed plans and specifications for the project. These documents are reviewed by the Environmental Planning Section of DEFA and Engineering Section of DDAGW to ensure that the project is designed as proposed by the general planning information, that the design meets sound engineering standards, and that proper environmental impact mitigation is included in the project. When the plans and specifications are deemed acceptable, the OEPA Director issues a plan approval to the Governmental Agency.

DWAF Loan Agreement and Construction

The DWAF Loan Agreement is signed and executed by the Governmental Agency, the Director, and the Authority, followed by the construction or implementation of the project. The Administrative Assistance Section helps the community finalize the DWAF Loan Application after the community has bid the project and bid costs have been received, and the Governmental Agency signs the Agreement. In this final step, the Administrative Assistance Section approves the community's rate system and use ordinances and confirms that the project meets other applicable state and federal program requirements. Once the project application is approved, the Director signifies that approval by signing the DWAF Loan Agreement. Upon that approval, the Authority's Executive Director signs the DWAF Loan Agreement. The Governmental Agency, having signed the DWAF Loan Agreement, then enters into construction contracts and proceeds to build its project. During construction, the Planning Section in DEFA and DDAGW District staff periodically inspect the construction to see that the project is being built as designed and constructed in a sound manner.

The Other Revolving Loan Program of OEPA

The following information describes the water pollution control revolving loan fund program of the Authority.

Water Pollution Control Loan Fund

Title VI of the Federal Water Pollution Control Act, as amended (the "Clean Water Act"), authorizes the Administrator of the United States Environmental Protection Agency (the "USEPA") to make capitalization grants (the "Federal Share") to states for deposit in state water pollution control revolving loan funds, which moneys are to be used by states to provide loans and other forms of financial assistance (other than grants) to communities and agencies, such as the Governmental Agencies, and other persons for the program purposes outlined below.

In order to receive the Federal Share, the State must agree to match the Federal Share with a deposit into the Water Pollution Control Loan Fund of an amount equaling at least 20% of the total amount of all federal grant payments under the ASAP System. The state match has been funded by a combination of State general fund appropriations and proceeds of WPCLF Bonds and interest earnings on those proceeds.

The Water Pollution Control Loan Fund was established under Section 6111.036 of the Ohio Revised Code on May 26, 1989. Section 6111.036 of the Ohio Revised Code authorizes the Director to administer the Water Pollution Control Loan Fund in a manner consistent with the Clean Water Act and to receive and disburse federal capitalization grant funds for the purposes of that Fund. Under State law, the Water Pollution Control Loan Fund is to be used to fund the following: (i) construction of publicly owned wastewater treatment works by municipal

corporations, other political subdivisions, and interstate agencies having territory in the State; (ii) implementation of nonpoint source pollution management programs; and (iii) development and implementation of estuary conservation management programs. As of September 30, 2014, the Authority had 1,159 WPCLF loans outstanding in the aggregate principal amount of approximately \$3,793,142,076.

For the purpose of providing additional funds for the Water Pollution Control Loan Fund or for the purpose of refunding obligations previously issued for such purpose, the Authority, at the request of the Director, has issued the following series of Water Quality Bonds.

Water Quality Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Issuance Date</u>	<u>Purpose of Issue</u>
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 1995 (the "Series 1995 Water Quality Bonds")	\$212,265,000	October 1995	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 1997 (the "Series 1997 Water Quality Bonds")	\$211,440,000	October 1997	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Water Quality Series 2002 (the "Series 2002 Water Quality Bonds")	\$200,115,000	February 2002	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2003 (the "Series 2003 Water Quality Bonds")	\$161,430,000	May 2003	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Water Quality Series 2004 (the "Series 2004 Water Quality Bonds")	\$509,700,000	January 2004	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2004 (the "Series 2004 Water Quality Refunding Bonds")	\$65,005,000	November 2004	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2005 (the "Series 2005 Water Quality Refunding Bonds")	\$219,580,000	April 2005	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund

State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Water Quality Series 2005B (the "Series 2005B Water Quality Bonds")	\$449,592,598	August 2005	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2009 (the "Series 2009 Water Quality Refunding Bonds")	\$229,120,000	September 2009	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Water Quality Series 2010 (the "Series 2010 Water Quality Bonds")	\$366,290,000	January 2010	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Water Quality Series 2010B (the "Series 2010B Water Quality Bonds")	\$459,160,000	August 2010	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2010C (the "Series 2010C Water Quality Refunding Bonds")	\$73,200,000	September 2010	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2011A (the "Series 2011A Water Quality Refunding Bonds")	\$101,210,000	August 2011	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2011B (the "Series 2011B Water Quality Refunding Bonds")	\$142,435,000	December 2011	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Refunding Revenue Bonds, Water Quality Series 2012A (the "Series 2012A Water Quality Refunding Bonds")	\$62,555,000	March 2012	Refunding obligations previously issued to provide additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Notes, Water Quality Series 2012A (the "Series 2012A Water Quality Floating Rate Notes")	\$50,000,000	November 2012	Providing additional funds for the Water Pollution Control Loan Fund
State of Ohio Water Pollution Control Loan Fund Notes, Water Quality Series 2013A (the "Series 2013A Water Quality Floating Rate Notes")	\$150,000,000	December 2013	Providing additional funds for the Water Pollution Control Loan Fund

The Water Quality Bonds are administered under the Water Quality Trust Agreement, dated as of October 1, 1995, for the purpose of raising moneys for the sole benefit of the Water Pollution Control Loan Fund. Pursuant to the WPCLF Trust Agreement dated as of May 1, 2014, among the Authority, the Director and the Trustee (the “WPCLF Trust Agreement”), the Authority created a new bond program which serves the same function for the Water Pollution Control Loan Fund. Prior to the execution and delivery of the WPCLF Trust Agreement, the Authority maintained separate bond programs associated with the Water Pollution Control Loan Fund: state match and water quality. The WPCLF State Match Bonds were administered under the WPCLF State Match Bond Trust Agreement, dated as of September 1, 1989, for the purpose of meeting the requirement of providing matching moneys. Currently, no WPCLF State Match Bonds are outstanding for purposes of the WPCLF State Match Bond Trust Agreement, and the WPCLF State Match Bond Trust Agreement was defeased and released according to its terms. As indicated above, several series of Water Quality Bonds remain outstanding, but as of the issuance date of the below described Series 2014 WPCLF Bonds, the Authority covenanted to not issue any additional Water Quality Bonds except to provide funds to refund previously issued and then outstanding Water Quality Bonds:

WPCLF Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Issuance Date</u>	<u>Purpose of Issue</u>
State of Ohio Water Pollution Control Loan Fund Revenue Bonds, Series 2014 (the “Series 2014 WPCLF Bonds”)	\$333,815,000	May 2014	Providing additional funds for the Water Pollution Control Loan Fund and Refunding Short Term Obligations Issued for the same Purpose

The Director and the Authority have implemented a process of cross-collateralization between the Water Pollution Control Loan Fund and Drinking Water Assistance Fund to enhance security for the state match and leverage bonds issued for the Drinking Water Assistance Fund and for the WPCLF Bonds and the Water Quality Bonds. See “SECURITY AND SOURCE OF PAYMENT OF SERIES 2014 LEVERAGE REFUNDING BONDS – Cross-Collateralization.”

At or near the same time as the issuance of the Series 2014 Leverage Refunding Bonds, the Authority is considering issuing its Water Pollution Control Loan Fund Refunding Revenue Bonds, Series 2014B in order to refund certain outstanding Water Quality Bonds.

ELIGIBILITY UNDER OHIO LAW FOR INVESTMENT AND AS SECURITY FOR THE DEPOSIT OF PUBLIC MONEY

To the extent that the subject matter is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Series 2014 Leverage Refunding Bonds under the provisions of Section 6121.15, Ohio Revised Code, are “lawful investments of banks, societies for savings, building and loan and savings and loan associations, deposit guarantee associations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other special funds of political subdivisions and taxing districts of this state, the commissioners of the sinking fund of the state, the administrator of workers’ compensation, the state teachers retirement system, the public employees retirement system, the school employees retirement system, and the police and firemen’s disability and pension fund, and are acceptable as security for the deposit for public moneys.”

LITIGATION

At the time of original delivery of the Series 2014 Leverage Refunding Bonds, the Authority and the Director will provide a certificate stating that, to the knowledge of the signers thereof, there is no litigation or administrative action or proceeding pending or threatened (i) restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Series 2014 Leverage Refunding Bonds, (ii) affecting the Trust Agreement,

or (iii) materially affecting the payment to or by the Authority of the Revenues, funds or moneys pledged for the payment of the Series 2014 Leverage Refunding Bonds.

The Authority and the Director are parties to various legal proceedings generally related to its operations but the proceedings currently pending will not, in the opinions of respective counsel to the Authority and the Director, have a material adverse effect on the security of the Series 2014 Leverage Refunding Bonds, including charging and collecting of the Revenues.

TAX MATTERS

General

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Authority’s certifications and representations or the continuing compliance with the Authority’s covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Authority has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

Under the Code, interest on the Bonds is excluded from the calculation of a corporation’s adjusted current earnings for purposes of the corporate alternative minimum tax, but interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Prospective purchasers of the Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Bonds at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner

for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton LLP (the “Verification Agent”) will verify from the information provided to them the mathematical accuracy as of the date of delivery of the Series 2014 Leverage Refunding Bonds of the mathematical computations contained in the provided schedules which evidence that the anticipated receipts from the securities and cash deposits listed in the Underwriter’s schedules, to be held in escrow, will be sufficient to pay, when due, interest and call premium, if any, on the Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exclusion from gross income for federal income tax purposes of the interest on the Series 2014 Leverage Refunding Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2014 Leverage Refunding Bonds and with regard to their tax-exempt status (see “TAX MATTERS”) are subject to the legal opinions of Squire Patton Boggs (US) LLP, Cleveland, Ohio, Bond Counsel. The signed legal opinions dated as of, and premised on the transcript of proceedings examined and the law in effect on, the date of original delivery of the Series 2014 Leverage Refunding Bonds, will be delivered to the Underwriters at the time of that original delivery. The text of the opinions will be printed on or appended to the Series 2014 Leverage Refunding Bonds.

The proposed text of Bond Counsel’s legal opinion is set forth as APPENDIX F. The legal opinions to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distribution of the opinions by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed, or expresses any opinion concerning, any of the matters referred to in its opinions subsequent to the opinions’ date.

Certain legal matters will be passed on for the Authority by its General Counsel, Benesch, Friedlander, Coplan and Aronoff LLP and certain legal matters will be passed on for the Underwriters by their counsel, Bricker & Eckler LLP. Squire Patton Boggs (US) LLP also serves as bond counsel to certain of the Local Governmental Agencies.

CONTINUING DISCLOSURE

The Authority has entered into a Continuing Disclosure Agreement with the Trustee dated as of the date of delivery of the Series 2014 Leverage Refunding Bonds to the Underwriters (the “Continuing Disclosure Agreement”) for the benefit of Holders of the Series 2014 Leverage Refunding Bonds to provide certain financial and operating information (the “Annual Report”) not later than the June 30th following the end of the preceding calendar year, commencing June 30, 2015, and to provide notices of certain enumerated events, if material. Specifically, the Authority agrees to provide the Annual Report to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system and to provide notice of the occurrence of the enumerated events to the MSRB through the EMMA system. The Authority has not been delinquent in meeting its obligations previously undertaken in connection with the execution of prior continuing disclosure agreements.

The Annual Report will consist generally of the audited financial statements of the Authority, current information regarding the DWAF Program and the Local Governmental Agencies of the type contained in APPENDIX B hereto and information of the type contained herein under the caption “SIGNIFICANT LOCAL

GOVERNMENTAL AGENCY PARTICIPANTS.” Furthermore, the Authority has agreed to include in its Annual Report the financial statements of each Local Governmental Agency (if any) which is a party to a Cooperative Agreement or Agreements under which the sum of the repayments made during the most recently ended calendar year equaled or exceeded 20% of all repayments under all Cooperative Agreements made in such year. All planning loans are excluded from the foregoing calculation. Currently, no Local Governmental Agency is obligated under Cooperative Agreements to repay loans in the aggregate outstanding principal amount of which is equal to 20% or more of the total aggregate amount of loans outstanding under all Cooperative Agreements. Any of the above-described financial and operating information may be supplied by the Authority including in its Annual Report specific reference to information previously supplied to the MSRB through its EMMA system, or to the Securities and Exchange Commission (the “SEC”). Information will not be included by reference to a final official statement unless such final official statement is available from the MSRB.

The Continuing Disclosure Agreement is being executed by the Authority to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC (the “Rule”). The Authority has agreed to give notice in a timely manner to the MSRB through its EMMA system of any failure to supply the information required to be provided in the Continuing Disclosure Agreement; however, any such failure will not constitute a default under the Trust Agreement or the terms of the Series 2014 Leverage Refunding Bonds.

The Authority has in a timely manner made all filings and given all notices required under its prior continuing disclosure agreements (for purposes of the Rule) to which it is a party.

UNDERWRITING

Jefferies LLC on behalf of itself and as representative (the “Representative”) of the underwriters identified on the front cover of this Official Statement (collectively, the “Underwriters”) has agreed, subject to certain conditions, to purchase the Series 2014 Leverage Refunding Bonds at a price of \$44,321,355.88 (consisting of the par amount thereof (\$37,730,000.00) plus original issue premium (\$6,717,764.95) less Underwriters’ Discount of \$126,409.07). The Underwriters are obligated to purchase all of the Series 2014 Leverage Refunding Bonds if any are purchased. The Series 2014 Leverage Refunding Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed from time to time.

The obligation of the Underwriters to purchase the Series 2014 Leverage Refunding Bonds is subject to the terms and conditions set forth in the Bond Purchase Agreement dated November 13, 2014 (the “Bond Purchase Agreement”), between the Authority and Jefferies LLC, on behalf of itself and as Representative, including the approval of certain legal matters by Bond Counsel, the existence of no material adverse change (not in the ordinary course of business) in the condition of the Authority from that set forth in this Official Statement and the Appendices hereto and certain other conditions. The Bond Purchase Agreement provides that the Underwriters will not be obligated to purchase the Series 2014 Leverage Refunding Bonds if all the Series 2014 Leverage Refunding Bonds are not available for purchase and requires the Authority to indemnify the Underwriters against losses, claims, damages and liabilities arising out of any incorrect or incomplete statement or information contained in this Official Statement pertaining to the Authority and other matters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2014 Leverage Refunding Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2014 Leverage Refunding Bonds.

The Underwriters and their respective affiliates is a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Authority, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates

may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The Underwriters may offer and sell the Series 2014 Leverage Refunding Bonds to certain dealers and others at prices lower than the public offering prices. The public offering prices may be changed after the initial offering by the Underwriter.

FINANCIAL ADVISOR

Public Financial Management, Inc. (the “Financial Advisor”) is employed as Financial Advisor to the Authority. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Series 2014 Leverage Refunding Bonds are based on the amount of Series 2014 Leverage Refunding Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Series 2014 Leverage Refunding Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

RATINGS

Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services have assigned ratings of “Aaa” and “AAA”, respectively, to the Series 2014 Leverage Refunding Bonds. Such ratings reflect only the respective views of such rating organizations. Any explanation of the significance of the ratings may only be obtained from the respective rating agency. Generally, a rating agency bases its rating on information and materials furnished to it and other investigations, studies and assumptions it deems appropriate. The ratings are not recommendations to buy, sell or hold the Series 2014 Leverage Refunding Bonds. There can be no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any revision or withdrawal of a rating may have an effect on the marketability and/or market price of the Series 2014 Leverage Refunding Bonds.

CONCLUDING STATEMENT

Any quotations from and summaries and explanations of the Constitution of the State of Ohio, the Ohio Revised Code, the DWAF Loan Agreements, the Trust Agreement and the Regulations do not purport to be complete, and reference is made to the pertinent provisions of the Constitution of the State of Ohio, Ohio Revised Code and such documents for their complete provisions.

To the extent that any statements in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, those statements are made as such and not as representations of fact or certainty, and no representation is made that any of these statements will be realized. Information in this Official Statement has been derived by the Authority from official and other sources and is believed by the Authority to be reliable, but information other than that obtained from official records of the Authority has not been independently confirmed or verified by the Authority and its accuracy is not guaranteed. This Official Statement is not to be construed as a contract or agreement between the State of Ohio, the Authority or the Director and the Underwriter, any Holder of any of the Series 2014 Leverage Refunding Bonds or subsequent Book-Entry Interest Owners.

Language under the heading captioned “BOOK-ENTRY SYSTEM” was summarized from information provided by DTC.

The financial statements of the Authority as of December 31, 2013, included in this Official Statement have been audited by the firm of Clark, Schaefer, Hackett & Co., as stated in its reports appearing in APPENDIX C.

The Authority has retained Public Financial Management, Inc., to serve as its financial advisor, and Public Financial Management, Inc., has advised the Authority in connection with this offering.

Additional copies of this Official Statement are available upon request to the Underwriter. Copies of other relevant documents including the Trust Agreement and the form of the DWAF Loan Agreement are available upon request to the Authority.

This Official Statement has been prepared, approved and delivered, for and on behalf of the Authority and executed by the undersigned in their official capacity.

OHIO WATER DEVELOPMENT AUTHORITY

By: /s/ James Joyce
Chairman

By: /s/ Steven J. Grossman
Executive Director

OHIO ENVIRONMENTAL PROTECTION AGENCY

By: /s/Craig W. Butler
Director

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APPENDIX A

**DEBT SERVICE SCHEDULE AND COVERAGE UPON THE ISSUANCE OF THE
SERIES 2014 LEVERAGE REFUNDING BONDS**

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Drinking Water Assistance Fund
Leverage Series Debt Service Schedule and Coverage Schedule
As of 9/30/2014

	Total Estimated Principal (a)	2005 Refunding Leverage Debt Service	2005B Leverage Debt Service	2008 Leverage Debt Service	2010 B Leverage Debt Service	2010 C Refunding Leverage Debt Service	2014 A Refunding Leverage Debt Service	Total Debt Service	Estimated Surplus	Coverage (b)	Bab Subsidy (c)	Adjusted Coverage
6/1/2015	17,773,472.41	2,850,087.50	1,707,687.50	1,743,237.50	1,234,838.70	5,857,150.00	890,888.33	14,283,889.53	3,489,582.88	124.43%	400,643.42	127.24%
12/1/2015	19,184,646.51	2,807,712.50	1,858,437.50	1,744,925.00	1,234,838.70	5,968,150.00	932,325.00	14,546,388.70	4,638,257.81	131.89%	400,643.42	134.64%
6/1/2016	19,035,911.52	2,975,212.50	124,437.50	1,746,050.00	1,234,838.70	7,249,750.00	932,325.00	14,262,613.70	4,773,297.82	133.47%	400,643.42	136.28%
12/1/2016	19,506,083.03	2,919,693.75	132,687.50	1,744,650.00	1,234,838.70	7,519,050.00	1,677,325.00	15,228,244.95	4,277,838.08	128.09%	400,643.42	130.72%
6/1/2017	19,781,409.62	3,104,175.00	130,687.50	1,746,650.00	1,234,838.70	7,556,175.00	1,806,150.00	15,578,676.20	4,202,733.42	126.98%	400,643.42	129.55%
12/1/2017	20,214,427.66	3,042,356.25	138,687.50	1,745,900.00	1,234,838.70	7,838,675.00	2,384,025.00	16,384,482.45	3,829,945.21	123.38%	400,643.42	125.82%
6/1/2018	20,507,322.68	3,235,537.50	131,437.50	1,742,500.00	1,234,838.70	7,889,550.00	2,346,900.00	16,580,763.70	3,926,558.98	123.68%	400,643.42	126.10%
12/1/2018	20,805,087.30	3,167,025.00	134,525.00	-	1,234,838.70	6,764,750.00	4,529,775.00	15,830,913.70	4,974,173.60	131.42%	400,643.42	133.95%
6/1/2019	20,932,384.75	3,378,512.50	127,500.00	-	1,234,838.70	6,756,000.00	4,442,150.00	15,939,001.20	4,993,383.55	131.33%	400,643.42	133.84%
12/1/2019	21,236,679.79	3,297,650.00	135,587.50	-	1,234,838.70	6,888,875.00	4,219,400.00	15,776,351.20	5,460,328.59	134.61%	400,643.42	137.15%
6/1/2020	21,519,405.66	3,121,918.75	153,450.00	-	1,234,838.70	8,860,575.00	4,124,900.00	17,495,682.45	4,023,723.21	123.00%	400,643.42	125.29%
12/1/2020	20,835,709.26	3,048,812.50	120,718.75	-	1,234,838.70	6,985,375.00	3,650,525.00	15,040,269.95	5,795,439.31	138.53%	400,643.42	141.20%
6/1/2021	20,702,922.39	2,135,706.25	153,700.00	-	1,234,838.70	7,121,625.00	3,570,775.00	14,216,644.95	6,486,277.44	145.62%	400,643.42	148.44%
12/1/2021	20,179,967.73	2,084,650.00	125,850.00	-	1,234,838.70	5,519,625.00	3,701,025.00	12,665,988.70	7,513,979.03	159.32%	400,643.42	162.49%
6/1/2022	20,261,297.23	1,403,593.75	153,593.75	-	3,434,838.70	-	3,611,025.00	8,603,051.20	11,658,246.03	235.51%	400,643.42	240.17%
12/1/2022	20,006,299.60	1,364,075.00	135,625.00	-	3,416,802.70	-	4,131,150.00	9,047,652.70	10,958,646.90	221.12%	381,813.64	225.34%
6/1/2023	19,922,223.02	769,687.50	153,012.50	-	3,397,711.50	-	31,150.00	4,351,561.50	15,570,661.52	457.82%	362,641.50	466.15%
12/1/2023	19,115,685.20	-	144,925.00	-	3,377,565.10	-	726,150.00	4,248,640.10	14,867,045.10	449.92%	343,127.00	458.00%
6/1/2024	18,960,445.02	-	146,956.25	-	3,356,363.50	-	707,250.00	4,210,569.75	14,749,875.27	450.31%	323,270.14	457.98%
12/1/2024	18,879,269.20	-	153,868.75	-	3,334,106.70	-	-	3,487,975.45	15,391,293.75	541.27%	303,070.92	549.96%
6/1/2025	18,098,642.06	-	145,543.75	-	3,310,794.70	-	-	3,456,338.45	14,642,303.61	523.64%	282,529.34	531.81%
12/1/2025	18,181,206.70	-	137,168.75	-	3,286,427.50	-	-	3,423,596.25	14,757,610.45	531.06%	261,645.40	538.70%
6/1/2026	17,931,791.01	-	168,918.75	-	3,266,005.10	-	-	3,434,923.85	14,496,867.16	522.04%	240,419.10	529.04%
12/1/2026	15,118,203.41	-	-	-	3,238,512.35	-	-	3,238,512.35	11,879,691.06	466.83%	216,898.83	473.52%
6/1/2027	14,641,442.98	-	-	-	3,214,727.65	-	-	3,214,727.65	11,426,715.33	455.45%	192,959.39	461.45%
12/1/2027	14,636,849.35	-	-	-	3,189,507.45	-	-	3,189,507.45	11,447,341.90	458.91%	168,554.19	464.19%
6/1/2028	12,861,681.60	-	-	-	3,162,851.75	-	-	3,162,851.75	9,698,829.85	406.65%	143,683.25	411.19%
12/1/2028	11,327,732.67	-	-	-	3,134,760.55	-	-	3,134,760.55	8,192,972.12	361.36%	118,346.56	365.13%
6/1/2029	9,723,388.09	-	-	-	3,105,233.85	-	-	3,105,233.85	6,618,154.24	313.13%	92,544.12	316.11%
12/1/2029	9,297,701.50	-	-	-	3,074,271.65	-	-	3,074,271.65	6,223,429.85	302.44%	66,275.94	304.59%
6/1/2030	8,509,799.96	-	-	-	2,446,873.95	-	-	2,446,873.95	6,062,926.01	347.78%	39,542.00	349.40%
12/1/2030	7,704,206.06	-	-	-	1,975,123.20	-	-	1,975,123.20	5,729,082.86	390.06%	17,884.72	390.97%
6/1/2031	6,803,993.27	-	-	-	-	-	-	-	6,803,993.27	-	-	-
12/1/2031	6,322,019.04	-	-	-	-	-	-	-	6,322,019.04	-	-	-
6/1/2032	5,562,974.10	-	-	-	-	-	-	-	5,562,974.10	-	-	-
12/1/2032	5,233,999.41	-	-	-	-	-	-	-	5,233,999.41	-	-	-
6/1/2033	4,814,705.79	-	-	-	-	-	-	-	4,814,705.79	-	-	-
12/1/2033	4,237,079.68	-	-	-	-	-	-	-	4,237,079.68	-	-	-
6/1/2034	3,642,476.82	-	-	-	-	-	-	-	3,642,476.82	-	-	-
12/1/2034	3,358,518.33	-	-	-	-	-	-	-	3,358,518.33	-	-	-
6/1/2035	2,460,903.69	-	-	-	-	-	-	-	2,460,903.69	-	-	-
12/1/2035	1,889,433.17	-	-	-	-	-	-	-	1,889,433.17	-	-	-
6/1/2036	1,695,268.49	-	-	-	-	-	-	-	1,695,268.49	-	-	-
12/1/2036	1,347,367.00	-	-	-	-	-	-	-	1,347,367.00	-	-	-
6/1/2037	1,355,925.28	-	-	-	-	-	-	-	1,355,925.28	-	-	-
12/1/2037	1,147,792.60	-	-	-	-	-	-	-	1,147,792.60	-	-	-
6/1/2038	1,154,354.10	-	-	-	-	-	-	-	1,154,354.10	-	-	-
12/1/2038	1,160,980.72	-	-	-	-	-	-	-	1,160,980.72	-	-	-
6/1/2039	1,167,673.00	-	-	-	-	-	-	-	1,167,673.00	-	-	-
12/1/2039	1,161,721.77	-	-	-	-	-	-	-	1,161,721.77	-	-	-
6/1/2040	1,159,963.79	-	-	-	-	-	-	-	1,159,963.79	-	-	-
12/1/2040	1,148,574.49	-	-	-	-	-	-	-	1,148,574.49	-	-	-
6/1/2041	1,099,454.76	-	-	-	-	-	-	-	1,099,454.76	-	-	-
12/1/2041	1,103,186.84	-	-	-	-	-	-	-	1,103,186.84	-	-	-
6/1/2042	1,004,088.55	-	-	-	-	-	-	-	1,004,088.55	-	-	-
12/1/2042	911,590.15	-	-	-	-	-	-	-	911,590.15	-	-	-
6/1/2043	833,676.35	-	-	-	-	-	-	-	833,676.35	-	-	-

Drinking Water Assistance Fund
Leverage Series Debt Service Schedule and Coverage Schedule
As of 9/30/2014

	Total Estimated Principal (a)	2005 Refunding Leverage Debt Service	2005B Leverage Debt Service	2008 Leverage Debt Service	2010 B Leverage Debt Service	2010 C Refunding Leverage Debt Service	2014 A Refunding Leverage Debt Service	Total Debt Service	Estimated Surplus	Coverage (b)	Bab Subsidy (c)	Adjusted Coverage
12/1/2043	775,623.75	-	-	-	-	-	-	-	775,623.75			
6/1/2044	578,246.09	-	-	-	-	-	-	-	578,246.09			
12/1/2044	434,730.27	-	-	-	-	-	-	-	434,730.27			
6/1/2045	176,049.44	-	-	-	-	-	-	-	176,049.44			
	621,135,665.72	44,706,406.25	6,515,006.25	12,213,912.50	74,010,219.70	98,775,325.00	48,415,213.33	284,636,083.03	336,499,582.69			

(a) The amounts shown are the pledged amounts required to be paid by Local Governmental Agencies under the Existing DWAF Loan Agreements which amounts are to be deposited in the Principal Fund and have been pledged as security for either currently issued or additional Leverage Series Bonds. Amounts shown are semi-annual repayment amounts and do not include interest earnings thereon. Payments by the Local Governmental Agencies are due semi-annually on January 1 and July 1 of each year.

(b) Coverage is calculated based on pledged payments due on Existing DWAF Loans as of September 30, 2014. As additional DWAF loans are made and the pledged payments become due thereon, coverage will increase, subject to the Authorities exercise of its rights under the Trust Agreement to issue additional Leverage Series Bonds and to depledge Pledged Revenues.

(c) Coverage is calculated as described in (b) above except that the 35% Federal Subsidy on the Series 2010B Leverage Bonds - BABs has been deducted from debt service on those bonds. The amount expected to be received from the BAB's subsidy has been reduced by 7.3% for all periods. This reduction reflects BAB's subsidy reductions included in the Budget Control Act of 2011 and the American Taxpayers Relief Act of 2012.

APPENDIX B

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS

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PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Aberdeen	851,179	2.86%	20.0	639,421	1/1/2009
Adams County Regional Water District	300,754	1.88%	30.0	293,210	1/1/2014
Addyston	100,153	2.00%	20.0	90,689	1/1/2013
Adena	675,354	2.00%	20.0	337,285	1/1/2004
Akron	1,076,288	4.02%	20.0	416,556	1/1/2001
Akron	8,108,231	4.64%	20.0	3,248,930	1/1/2001
Akron	8,231,733	3.81%	10.0	969,844	1/1/2006
Akron	3,094,122	3.52%	10.0	1,834,266	7/1/2010
Akron	1,092,305	2.00%	20.0	1,047,394	1/1/2014
Akron	2,913,053	2.00%	20.0	2,913,053	1/1/2015
Akron	761,969	2.00%	20.0	761,969	1/1/2015
Akron	831,467	2.00%	20.0	831,467	1/1/2015
Albany	1,778,793	2.00%	30.0	1,735,015	1/1/2014
Antwerp	866,577	2.75%	20.0	634,940	7/1/2008
Arlington	250,663	2.59%	20.0	250,663	1/1/2016
Ashtabula County	359,259	2.00%	20.0	142,279	1/1/2002
Athens	480,000	0.00%	20.0	384,000	1/1/2011
Athens	827,011	2.63%	20.0	795,113	1/1/2014
Barberton	3,260,439	2.00%	20.0	3,058,349	7/1/2013
Barberton	2,454,336	2.00%	30.0	2,454,336	7/1/2015
Bellaire	197,927	0.00%	30.0	174,836	7/1/2011
Bellaire	1,413,516	0.00%	30.0	1,413,516	1/1/2015
Belmont County	308,235	0.00%	30.0	267,138	1/1/2011
Berea	1,925,030	3.25%	20.0	1,426,980	7/1/2008
Berea	3,802,755	3.70%	20.0	3,247,548	1/1/2011
Bethesda	2,264,762	0.00%	30.0	2,264,762	1/1/2015
Bishopville Water District	1,311,817	2.00%	20.0	1,027,620	1/1/2010
Blanchester	743,179	2.00%	20.0	649,655	1/1/2012
Blanchester	4,938,121	2.00%	30.0	4,929,027	1/1/2015
Bluffton	4,431,529	2.75%	20.0	3,345,748	1/1/2009
Botkins	500,347	2.84%	15.0	292,970	1/1/2008
Bowling Green	3,942,361	3.95%	15.0	1,286,433	1/1/2004
Bowling Green	4,107,626	3.52%	20.0	3,415,800	7/1/2010
Bowling Green	4,813,523	0.00%	20.0	3,971,157	7/1/2011
Bowling Green	3,590,766	2.59%	20.0	3,590,766	1/1/2016
Brewster	28,594	0.00%	30.0	24,305	7/1/2010
Bridgeport	755,709	2.00%	30.0	755,709	7/1/2015
Brilliant Water & Sewer District	138,966	2.00%	30.0	132,057	1/1/2013
Brilliant Water & Sewer District	412,638	2.00%	30.0	392,123	1/1/2013
Buckeye Lake	154,071	0.00%	20.0	119,405	7/1/2010
Buckeye Lake	658,412	0.00%	20.0	543,190	7/1/2011
Buckeye Water District	11,641,794	2.00%	20.0	9,348,193	7/1/2010
Buckeye Water District	515,731	0.00%	30.0	438,371	7/1/2010
Bucyrus	506,397	4.02%	20.0	181,386	7/1/2000
Burr Oak Regional Water District	262,598	0.00%	30.0	214,455	7/1/2009
Burr Oak Regional Water District	6,371,940	0.00%	30.0	5,734,746	1/1/2012
Burr Oak Regional Water District	1,255,557	2.00%	20.0	1,124,547	7/1/2012
Butler County	3,158,693	3.52%	20.0	2,752,235	7/1/2011
Butler County	1,417,190	0.00%	20.0	1,133,752	1/1/2011
Byesville	107,719	0.00%	20.0	80,789	1/1/2010
Cadiz	570,625	2.00%	20.0	180,176	7/1/2000
Cadiz	845,954	2.00%	20.0	464,926	1/1/2005
Cadiz	548,083	2.00%	30.0	548,083	1/1/2015
Canal Winchester	3,581,801	2.75%	20.0	2,543,452	1/1/2008
Canal Winchester	844,564	2.75%	20.0	599,729	1/1/2008
Canton	3,067,960	3.25%	20.0	2,344,953	1/1/2009
Canton	5,503,436	3.52%	20.0	4,576,521	7/1/2010

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Canton	8,862,640	2.00%	20.0	7,937,876	7/1/2012
Canton	10,519,270	3.33%	20.0	10,519,270	7/1/2016
Canton Local School District	93,389	0.00%	20.0	70,042	1/1/2010
Cardington	358,435	0.00%	20.0	286,748	1/1/2011
Carrollton	110,336	2.00%	30.0	106,243	7/1/2013
Carrollton	2,863,164	2.00%	30.0	2,863,164	7/1/2015
Carrollton	148,616	2.00%	30.0	146,796	7/1/2014
Celina	6,542,234	3.25%	20.0	5,000,465	1/1/2009
Chardon	5,879,548	2.00%	20.0	4,354,227	1/1/2009
Cincinnati	1,590,147	3.25%	20.0	1,032,168	1/1/2007
Cincinnati	3,922,392	3.25%	20.0	2,825,823	1/1/2008
Cincinnati	1,128,793	2.00%	20.0	986,742	1/1/2012
Cincinnati	1,000,720	2.00%	20.0	874,786	1/1/2012
Cincinnati	3,020,070	2.00%	20.0	2,769,230	1/1/2013
Cincinnati	2,442,024	2.00%	20.0	2,134,712	1/1/2012
Cincinnati	1,936,717	2.00%	20.0	1,816,675	7/1/2013
Cincinnati	2,964,773	2.00%	20.0	2,842,874	1/1/2014
Cincinnati	1,479,461	1.94%	20.0	1,418,264	1/1/2014
Cincinnati	1,494,517	1.94%	20.0	1,432,697	1/1/2014
Cincinnati	1,470,911	1.94%	20.0	1,410,067	1/1/2014
Cincinnati	236,335	1.98%	19.0	231,182	7/1/2014
Cincinnati	398,302	1.98%	20.0	373,566	7/1/2013
Cincinnati	1,491,648	1.98%	20.0	1,399,010	7/1/2013
Cincinnati	412,430	1.98%	20.0	386,817	7/1/2013
Cincinnati	943,346	1.98%	20.0	884,760	7/1/2013
Cincinnati	726,586	1.94%	20.0	696,531	1/1/2014
Cincinnati	2,746,592	1.71%	20.0	2,688,711	7/1/2014
Cincinnati	2,154,578	1.75%	20.0	2,063,743	1/1/2014
Cincinnati	773,889	1.75%	20.0	741,263	1/1/2014
Cincinnati	165,431	1.75%	20.0	158,457	1/1/2014
Cincinnati	1,856,888	1.75%	20.0	1,778,603	1/1/2014
Cincinnati	2,091,643	1.88%	20.0	2,048,325	7/1/2014
Cincinnati	7,698,163	2.00%	20.0	7,698,163	1/1/2015
Cincinnati	949,351	2.00%	20.0	949,351	1/1/2015
Cincinnati	1,263,559	2.00%	20.0	1,263,559	1/1/2015
Cincinnati	1,057,720	2.00%	20.0	1,057,720	1/1/2015
Cincinnati	1,480,144	2.00%	20.0	1,480,144	1/1/2015
Cincinnati	734,813	2.00%	20.0	734,813	1/1/2015
Cincinnati	1,272,870	2.00%	20.0	1,272,870	1/1/2015
Cincinnati	890,390	2.00%	20.0	890,390	1/1/2015
Clark County	928,336	0.00%	30.0	912,863	7/1/2014
Cleveland	6,757,557	4.14%	20.0	2,824,840	7/1/2001
Cleveland	11,415,370	3.95%	20.0	6,809,947	1/1/2005
Cleveland	30,052,459	3.53%	20.0	19,780,349	7/1/2006
Cleveland	23,439,224	3.50%	20.0	15,411,734	7/1/2006
Cleveland	20,176,750	3.25%	20.0	14,536,010	1/1/2008
Cleveland	22,025,154	3.25%	20.0	16,355,037	7/1/2008
Cleveland	6,500,000	3.25%	20.0	5,244,496	1/1/2010
Cleveland	12,000,000	3.52%	20.0	10,219,457	1/1/2011
Cleveland	8,303,916	0.00%	20.0	6,850,731	7/1/2011
Cleveland	10,954,516	2.00%	20.0	10,044,657	1/1/2013
Cleveland	2,203,181	1.88%	20.0	2,065,008	7/1/2013
Cleves	138,652	1.94%	30.0	136,938	7/1/2014
Cleves	832,345	2.00%	30.0	822,153	7/1/2014
Cleves	398,307	2.00%	30.0	398,307	1/1/2015
Cleves	1,162,002	2.00%	20.0	1,162,002	1/1/2015
Clyde	1,406,180	2.00%	20.0	630,309	1/1/2003

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Coal Grove	90,596	0.00%	30.0	77,006	7/1/2010
Coal Grove	273,432	2.00%	30.0	256,353	7/1/2012
Columbiana County	504,045	2.00%	20.0	472,803	7/1/2013
Columbus	4,182,186	3.25%	20.0	3,196,595	1/1/2009
Columbus	3,054,718	3.25%	20.0	2,400,281	7/1/2009
Columbus	2,206,682	3.53%	20.0	1,697,992	7/1/2009
Columbus	3,426,117	3.53%	20.0	2,708,652	7/1/2009
Columbus	2,435,246	3.53%	20.0	1,969,691	1/1/2010
Columbus	1,850,366	3.70%	20.0	1,543,569	7/1/2010
Columbus	3,584,954	3.70%	20.0	3,199,680	1/1/2012
Columbus Grove	210,314	0.00%	20.0	157,736	1/1/2010
Columbus Grove	35,393	0.00%	20.0	26,545	1/1/2010
Continental	201,321	0.00%	20.0	161,057	1/1/2011
Cortland	1,233,794	3.20%	20.0	1,094,788	1/1/2012
Coshocton	9,547,663	3.50%	20.0	6,377,129	1/1/2007
Covington	3,688,265	2.75%	20.0	2,362,109	7/1/2006
Crooksville	148,425	0.00%	30.0	128,635	1/1/2011
Cumberland	397,719	0.00%	30.0	344,689	1/1/2011
Cumberland	99,323	0.00%	29.0	89,048	1/1/2012
Danville	174,062	2.00%	20.0	109,856	7/1/2007
Danville	257,843	0.00%	30.0	214,870	1/1/2010
Delphos	15,679,869	2.00%	20.0	11,612,069	1/1/2009
Delphos	638,890	2.00%	20.0	458,417	7/1/2008
Delphos	60,257	2.00%	20.0	57,779	1/1/2014
Deshler	1,463,564	0.00%	20.0	1,244,029	1/1/2012
Dresden	310,849	0.00%	30.0	269,402	1/1/2011
East Liverpool	3,785,287	3.35%	20.0	2,386,949	1/1/2006
East Liverpool	530,896	2.00%	20.0	509,068	1/1/2014
East Palestine	287,282	2.00%	30.0	272,999	1/1/2013
East Palestine	368,572	1.94%	30.0	364,015	7/1/2014
Eaton	4,367,476	2.75%	20.0	3,200,045	7/1/2008
Elida	1,198,837	3.20%	20.0	1,015,812	1/1/2011
Enon	656,541	3.26%	20.0	380,890	1/1/2005
Enon	99,656	0.00%	20.0	79,724	1/1/2011
Enon	201,902	2.17%	10.0	201,902	1/1/2015
Fayette	48,837	2.00%	20.0	31,597	1/1/2007
Fayette	78,588	2.00%	20.0	54,559	1/1/2008
Findlay	4,029,589	3.25%	20.0	2,720,347	1/1/2007
Flushing	1,226,764	2.00%	30.0	1,165,772	1/1/2013
Fostoria	1,092,854	4.66%	20.0	438,383	1/1/2001
Fostoria	992,857	0.00%	20.0	819,107	7/1/2011
Franklin County	2,137,169	0.00%	20.0	1,816,593	1/1/2012
Franklin County	61,931	3.25%	20.0	52,517	1/1/2012
Fulton County	1,986,484	0.00%	30.0	1,820,943	7/1/2012
Geauga County	315,235	3.52%	20.0	118,536	1/1/2001
Geauga County	781,099	4.16%	20.0	326,875	7/1/2001
Girard	63,765	2.00%	5.0	26,270	1/1/2012
Greene County	5,875,522	3.53%	20.0	5,233,815	1/1/2012
Greenwich	322,879	3.49%	20.0	147,765	7/1/2002
Guernsey County	288,657	2.00%	20.0	193,610	7/1/2007
Guernsey County	59,870	2.00%	20.0	48,397	7/1/2010
Hamden	521,113	0.00%	30.0	451,631	1/1/2011
Harrisburg	808,031	0.00%	20.0	686,827	1/1/2012
Harrison	896,541	3.64%	20.0	60,612	1/1/2002
Harrison	1,091,805	3.49%	20.0	471,312	7/1/2002
Harrison	1,837,258	2.84%	20.0	1,237,401	7/1/2007
Harrison	1,625,518	3.64%	20.0	1,313,061	1/1/2010

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Harrison	1,648,803	3.64%	20.0	1,325,499	1/1/2010
Henry County Regional Water and Sewer District	1,175,969	1.98%	30.0	1,161,524	7/1/2014
Ironton	935,704	2.00%	30.0	887,863	1/1/2013
Jackson	1,380,296	0.00%	20.0	1,104,236	1/1/2011
Jackson Center	852,191	3.25%	20.0	429,826	7/1/2003
Jefferson County	7,286,875	3.35%	20.0	4,595,002	1/1/2006
Jefferson County	500,000	0.00%	30.0	408,333	7/1/2009
Jefferson County	455,685	2.00%	20.0	347,867	7/1/2009
Jefferson County	3,908,090	1.94%	20.0	3,746,434	1/1/2014
Jefferson County	857,463	2.00%	30.0	857,463	7/1/2015
Kent	485,851	3.65%	20.0	274,393	7/1/2004
Kent	271,200	2.00%	20.0	188,278	1/1/2008
Killbuck	572,188	2.00%	30.0	558,106	1/1/2014
Lakemore	179,897	2.09%	20.0	176,251	7/1/2014
Lancaster	5,464,939	4.14%	20.0	2,730,731	1/1/2003
Lancaster	21,064,709	3.90%	20.0	10,780,418	7/1/2003
Le-Ax Water District	30,189	0.00%	30.0	27,673	7/1/2012
Lewisburg	1,400,434	2.75%	20.0	1,026,096	7/1/2008
Liberty Center	465,239	1.94%	30.0	447,816	7/1/2013
Lindsey	219,170	2.75%	20.0	135,769	7/1/2006
Lisbon	2,039,049	2.00%	20.0	1,415,593	1/1/2008
Lockland	158,911	2.00%	20.0	136,817	1/1/2012
London	1,610,687	4.14%	20.0	718,052	1/1/2002
Lorain	2,712,348	4.38%	20.0	1,148,610	7/1/2001
Lorain	2,425,073	4.64%	20.0	1,109,006	1/1/2002
Lyons	83,837	2.75%	20.0	55,666	1/1/2007
Madison Water District	138,034	0.00%	30.0	138,034	1/1/2015
Mahoning County	214,509	0.00%	20.0	171,607	1/1/2011
Mahoning Valley Sanitary District	7,105,074	3.35%	20.0	4,647,670	7/1/2006
Mahoning Valley Sanitary District	1,609,624	3.25%	20.0	1,159,628	1/1/2008
Mahoning Valley Sanitary District	1,298,746	3.25%	20.0	935,660	1/1/2008
Mahoning Valley Sanitary District	2,488,513	0.00%	20.0	2,053,024	7/1/2011
Mahoning Valley Sanitary District	8,000,000	2.00%	20.0	7,504,140	7/1/2013
Mahoning Valley Sanitary District	2,457,427	2.00%	20.0	2,457,427	7/1/2017
Mahoning Valley Sanitary District	4,660,345	2.00%	20.0	4,660,345	7/1/2017
Malta	361,090	2.00%	20.0	318,249	7/1/2012
Mantua	545,783	3.00%	20.0	313,224	1/1/2005
Marshallville	72,994	3.88%	20.0	30,083	7/1/2001
Martins Ferry	3,370,848	2.00%	20.0	1,935,881	7/1/2005
Martins Ferry	215,072	2.00%	29.5	201,336	1/1/2013
Martins Ferry	738,905	2.00%	30.0	690,414	7/1/2012
McComb	599,576	3.50%	20.0	225,192	1/1/2001
McComb	892,609	2.00%	20.0	892,609	1/1/2015
McConnelsville	71,141	0.00%	30.0	59,285	1/1/2010
Medina County	4,028,963	4.38%	20.0	1,706,162	7/1/2001
Medina County	1,104,529	3.90%	20.0	545,588	1/1/2003
Miami County	234,316	2.00%	20.0	214,854	1/1/2013
Middle Point	97,236	2.00%	20.0	67,506	1/1/2008
Middlefield	4,938,775	2.75%	20.0	3,751,933	7/1/2009
Middleport	681,843	0.00%	30.0	590,931	1/1/2011
Middleport	293,614	0.00%	30.0	274,039	1/1/2013
Milford	1,349,311	2.00%	20.0	999,262	1/1/2009
Milford	136,565	0.00%	20.0	105,838	7/1/2010
Milford	266,178	2.00%	30.0	266,178	1/1/2015
Milford	489,490	2.00%	20.0	489,490	7/1/2015
Millersport	559,185	0.00%	20.0	447,348	1/1/2011
Morgan-Meigsville Rural Water District	283,590	0.00%	30.0	274,137	1/1/2014

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Mount Orab	1,757,942	2.00%	20.0	1,009,587	7/1/2005
Mount Orab	139,099	2.00%	20.0	120,460	1/1/2012
Murray City	525,621	0.00%	30.0	455,538	1/1/2011
Muskingum County	384,439	2.00%	20.0	257,854	7/1/2007
Muskingum County	335,099	2.00%	20.0	232,640	1/1/2008
Muskingum County	548,806	2.00%	20.0	393,780	7/1/2008
Muskingum County	1,357,880	0.00%	30.0	1,288,234	7/1/2013
Muskingum County	947,164	2.00%	30.0	947,164	1/1/2015
Muskingum County	262,029	2.00%	30.0	262,029	1/1/2015
Muskingum County	1,735,024	2.00%	20.0	1,735,024	7/1/2015
Muskingum Watershed Conservancy District	188,884	0.00%	20.0	146,385	7/1/2010
Nelsonville	4,563,943	1.98%	20.0	4,563,943	1/1/2015
New Carlisle	3,294,524	2.85%	20.0	2,194,864	1/1/2007
New Carlisle	574,911	2.66%	20.0	574,911	7/1/2015
New Straitsville	542,049	2.00%	30.0	535,412	7/1/2014
Newark	1,068,718	3.53%	20.0	910,285	1/1/2011
Newton Falls	3,102,133	2.00%	20.0	1,627,467	7/1/2004
North Canton	6,789,904	3.65%	20.0	4,002,337	1/1/2005
North Canton	3,022,687	3.76%	20.0	1,934,606	1/1/2006
North Canton	1,670,933	3.25%	20.0	1,089,228	7/1/2006
North Ridgeville	2,928,024	4.14%	20.0	1,385,011	7/1/2002
Northwest Regional Water District	172,208	2.86%	20.0	126,553	7/1/2008
Northwest Regional Water District	732,198	4.14%	20.0	601,048	1/1/2010
Northwestern Water & Sewer District	842,856	0.00%	30.0	814,761	1/1/2014
Northwestern Water & Sewer District	596,739	0.00%	30.0	576,848	1/1/2014
Northwestern Water & Sewer District	1,298,907	2.67%	20.0	1,274,125	7/1/2014
Northwestern Water & Sewer District	2,165,500	2.59%	20.0	2,165,500	1/1/2015
Northwestern Water & Sewer District	355,666	3.16%	20.0	355,666	7/1/2015
Northwestern Water & Sewer District	1,105,115	3.16%	20.0	1,105,115	7/1/2015
Northwestern Water & Sewer District	711,596	2.59%	20.0	711,596	7/1/2015
Norwalk	695,073	3.25%	20.0	485,123	7/1/2007
Oak Hill	138,801	2.00%	15.0	138,801	1/1/2016
Oberlin	4,857,525	2.00%	20.0	3,817,962	1/1/2010
Oregon	9,936,629	4.28%	20.0	4,733,018	7/1/2002
Oregon	2,025,829	3.65%	20.0	1,144,125	7/1/2004
Oregon	4,381,093	3.52%	20.0	3,731,032	1/1/2011
Ottawa	1,322,579	3.15%	20.0	731,010	7/1/2004
Ottawa	781,316	2.75%	20.0	518,777	1/1/2007
Ottawa	436,280	2.84%	20.0	300,661	7/1/2007
Ottawa	1,442,991	2.75%	20.0	1,089,440	1/1/2009
Ottawa	1,144,649	2.00%	20.0	1,047,058	1/1/2013
Ottawa	94,796	2.00%	10.0	94,796	1/1/2015
Ottawa County	21,216,310	4.02%	20.0	7,599,460	7/1/2000
Ottawa County	957,988	2.00%	20.0	687,378	7/1/2008
Ottawa County	1,155,340	3.36%	20.0	885,411	1/1/2009
Ottawa County	322,876	3.52%	20.0	261,909	1/1/2010
Painesville	761,453	3.50%	20.0	242,362	1/1/2000
Perry County	741,169	2.00%	30.0	732,094	7/1/2014
Piketon	383,676	2.00%	30.0	369,441	7/1/2013
Piqua	1,112,575	3.50%	10.0	129,415	1/1/2006
Piqua	116,483	3.25%	9.5	14,008	7/1/2006
Plymouth	712,722	2.00%	30.0	681,483	7/1/2016
Pomeroy	77,705	0.00%	30.0	66,050	7/1/2010
Pomeroy	744,623	2.00%	30.0	716,996	7/1/2013
Portsmouth	3,734,915	3.25%	20.0	2,773,405	7/1/2008
Portsmouth	45,034	0.00%	20.0	33,776	1/1/2010
Portsmouth	1,762,725	2.00%	20.0	1,578,795	7/1/2012

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
Powhatan Point	489,801	0.00%	20.0	391,841	1/1/2011
Put-in-Bay	1,124,680	2.00%	20.0	958,725	1/1/2012
Put-in-Bay	1,151,876	2.00%	20.0	1,080,480	7/1/2013
Ravenna	486,103	3.65%	20.0	274,536	7/1/2004
Ravenna	1,181,619	3.40%	15.0	815,853	7/1/2009
Rayland	196,325	0.00%	30.0	166,876	7/1/2010
Rio Grande	364,101	2.00%	30.0	364,101	7/1/2015
Rockford	1,330,278	0.00%	20.0	1,064,222	1/1/2011
Roseville	46,093	0.00%	30.0	36,122	1/1/2011
Roseville	56,874	0.00%	30.0	48,343	7/1/2010
Scio	105,843	2.00%	20.0	52,860	1/1/2004
Scio	186,037	0.00%	30.0	155,031	1/1/2010
Shawnee	75,232	0.00%	30.0	65,201	1/1/2011
Shawnee	62,638	2.00%	30.0	61,871	7/1/2014
Shelby	3,517,427	2.75%	15.0	1,702,146	7/1/2006
Sidney	314,160	0.00%	20.0	243,474	7/1/2010
Sidney	4,380,702	0.00%	20.0	3,395,044	7/1/2010
Somerset	494,596	2.00%	30.0	470,006	1/1/2013
South Charleston	1,841,613	2.00%	20.0	825,488	1/1/2003
South Lebanon	211,222	0.00%	30.0	200,661	7/1/2013
South Solon	247,017	0.00%	30.0	214,081	1/1/2011
Southern Perry County Water District	352,145	2.00%	20.0	312,918	7/1/2012
Southwest Licking Community W & S District	146,171	0.00%	20.0	113,283	7/1/2010
Spencerville	405,108	2.00%	20.0	271,718	7/1/2007
Spencerville	1,858,987	0.00%	30.0	1,797,020	1/1/2014
Steubenville	8,001,328	3.90%	20.0	4,161,095	7/1/2003
Steubenville	3,883,174	3.95%	20.0	2,316,544	1/1/2005
Steubenville	23,416,687	3.25%	20.0	16,870,170	1/1/2008
Sugarcreek	270,301	3.40%	20.0	123,126	7/1/2002
Swanton	1,597,499	1.90%	30.0	1,597,499	1/1/2015
Toledo	13,183,823	3.25%	20.0	9,789,803	7/1/2008
Toronto	14,014,179	3.26%	20.0	9,138,580	7/1/2006
Toronto	617,719	2.00%	30.0	610,156	7/1/2014
Tri-County Rural W & S District	218,316	2.00%	20.0	86,461	1/1/2002
Tri-County Rural W & S District	49,412	0.00%	30.0	42,000	7/1/2010
Tri-County Rural W & S District	614,143	2.00%	30.0	591,357	1/1/2014
Tuppers Plains-Chester Water District	338,124	3.25%	20.0	220,412	7/1/2006
Tuppers Plains-Chester Water District	272,809	0.00%	20.0	218,247	1/1/2011
Tuppers Plains-Chester Water District	996,947	2.00%	30.0	934,679	7/1/2012
Tuppers Plains-Chester Water District	85,500	2.00%	30.0	80,160	1/1/2013
Tuppers Plains-Chester Water District	99,272	2.00%	30.0	98,057	7/1/2014
Twin City Water & Sewer District	4,244,156	0.00%	30.0	4,102,684	1/1/2014
Upper Sandusky	1,808,433	2.00%	20.0	1,808,433	1/1/2015
Urbana	5,689,571	3.36%	20.0	4,600,687	1/1/2010
Urbana	2,862,599	2.00%	20.0	2,862,599	1/1/2016
Versailles	850,508	3.39%	20.0	474,609	7/1/2004
Versailles	7,448,105	3.26%	20.0	4,856,874	7/1/2006
Wakeman	142,032	2.00%	20.0	124,158	1/1/2012
Warren	10,732,688	3.95%	20.0	5,869,129	1/1/2004
Warren	5,104,469	3.34%	20.0	3,910,003	1/1/2009
Warren	2,383,547	1.94%	20.0	2,334,488	7/1/2014
Warren	1,829,041	1.99%	20.0	1,791,588	7/1/2014
Washington (Court House)	3,691,377	4.38%	20.0	1,563,203	7/1/2001
Wauseon	311,990	3.39%	20.0	174,251	7/1/2004
Wellston	81,729	0.00%	30.0	69,470	7/1/2010
Wellston	393,149	0.00%	30.0	360,386	7/1/2012
Wellston	448,063	2.00%	30.0	420,077	7/1/2012

PARTICIPATING GOVERNMENTAL AGENCIES UNDER EXISTING DWAF LOAN AGREEMENTS
As of September 30, 2014

Governmental Agency	Estimated Loan Amount (1)	Interest Rate	No. of Years	Projected Remaining Principal Repayments	First Payment Date
West Alexandria	1,447,466	2.75%	20.0	994,697	7/1/2007
West Carrollton	4,408,588	3.50%	20.0	2,582,918	1/1/2005
West Jefferson	2,828,663	2.75%	20.0	2,131,847	1/1/2009
West Union	1,502,102	1.99%	20.0	1,440,280	1/1/2014
Western Guernsey County Regional Water District	1,302,287	1.75%	30.0	1,285,690	7/1/2014
Westerville	13,565,569	2.59%	20.0	13,565,569	7/1/2015
Willard	472,889	2.00%	20.0	162,097	1/1/2001
Woodsfield	194,278	0.00%	20.0	145,709	1/1/2010
Woodsfield	43,479	2.00%	20.0	36,110	1/1/2011
Woodville	148,650	0.00%	20.0	122,636	7/1/2011
Woodville	507,160	0.00%	20.0	405,728	1/1/2011
Wooster	1,568,225	3.36%	20.0	1,235,239	7/1/2009
Wooster	978,062	3.36%	20.0	749,551	1/1/2009
Wooster	384,528	4.14%	20.0	315,652	1/1/2010
Wooster	247,128	3.70%	20.0	201,169	1/1/2010
Zanesville	413,109	0.00%	10.0	247,866	1/1/2011
Zanesville	4,967,325	0.00%	20.0	4,222,226	1/1/2012
	<u>841,814,387</u>			<u>621,135,666</u>	

Notes :

- (1) These amounts include capitalized interest charges. Some of the loans listed above have already been fully funded at the estimated principal amount; the final loan amounts on those loans that have not yet been fully funded may be less than anticipated depending on actual project construction costs.

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APPENDIX C

REPORTS OF INDEPENDENT AUDITORS AND RELATED AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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**OHIO WATER
DEVELOPMENT AUTHORITY**

Financial Statements

December 31, 2013

(With Independent Auditors' Report Thereon)

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OHIO WATER DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Ohio Water Development Authority, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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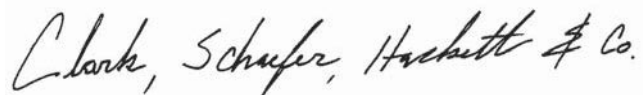
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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



Springfield, Ohio
March 26, 2014

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2013

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

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

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

Financial Analysis of the Authority's Financial Position and Results of Operations

The tables below provide a summary of the Authority's financial position and operations for 2013 and 2012, respectively.

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

Condensed Statement of Net Position

(all amounts expressed in thousands of dollars)

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

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

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

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

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

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

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 expense on bonds and notes. For the year ending December 31, 2013, the Authority had operating income of \$4,633,314 compared to an operating loss of \$9,157,157 in 2012, an increase of \$13,790,471 or 150.61%. This increase in operating income was primarily attributed to a \$14,451,543 decrease in loan principal forgiveness, a \$5,787,475 decrease in interest on bonds and notes and a \$4,754,830 decrease in loan income.

Debt Administration

As of December 31, 2013, the Authority had bonds and notes principal outstanding of \$2,881,730,082. The Authority's debt represents bonds and notes secured solely by loan repayments of pledged loans. The table below summarizes the amount of debt outstanding for 2013 and 2012.

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

(all amounts expressed in thousands of dollars)

	2013	2012
Revenue Bonds	\$ 2,681,730	2,805,082
Revenue Notes	200,000	50,000
Total	<u>\$ 2,881,730</u>	<u>2,855,082</u>

During 2013, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

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

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

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 31-45 of this report.

Contacting the Authority's Financial Management

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

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Net Position

December 31, 2013

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2013

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

See accompanying notes to financial statements.

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2013

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

Authorizing Legislation

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

Reporting Entity

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

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

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

Programs

The Authority has established the following programs:

Local Communities

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

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

Industrial

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

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

Basis of Presentation—Fund Accounting

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

(a) Operating Fund

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

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

(b) Working Capital Fund

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

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

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

(c) *Other Projects Fund – Unallocated Reserve*

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

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

(d) *Other Projects Fund – Interest Rate Management*

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

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

(e) *Other Projects Fund – Endowment Grant*

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

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

(f) *Other Projects Fund – Solid Waste*

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

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

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Notes to Financial Statements

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

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

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

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

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

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

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

(i) *Other Projects Fund – Emergency Relief*

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

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

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

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Notes to Financial Statements

(j) Other Projects Fund – Dam Safety

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

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

(k) Other Projects Fund – Lake Erie Soil Erosion

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

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

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2013, two loans are outstanding from this account totaling \$661,000 over 15 years with interest at 4.67% to 5.34%.

(l) Other Projects Fund – Security Assistance

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

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

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

(m) Other Projects Fund – Interest Rate Subsidy

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

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

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

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

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

(o) Other Projects Fund – Unsewered Area Assistance Program

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

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

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

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

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

(q) Rural Utility Services Fund

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

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.05% to 1.09%.

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Notes to Financial Statements

(r) Community Assistance Fund

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

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

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

(s) Fresh Water Fund

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

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

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

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

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

(t) *Water Pollution Control Loan Fund*

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

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

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Notes to Financial Statements

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

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

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

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, Series 1993, Series 1995, Series 2000, Series 2008, Series 2010 and Series 2013, Water Quality Series 1995, Series 1997, Series 2001, Series 2002, Series 2004, Series 2005B, Series 2010A, Series 2010B-1 and Series 2010B-2, and Floating Rate Notes Series 2012A and Series 2013A (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001 and Series 2005 and Water Quality Series 2003, Series 2004, Series 2005, Series 2009, Series 2010C, Series 2011A, Series 2011B-1, Series 2011B-2 and Series 2012A (WPCLF Bonds) were issued to refund portions of the State Match and Water Quality Series Bonds. The WPCLF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees.

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Notes to Financial Statements

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

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

(u) Drinking Water Assistance Fund

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

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

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

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

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

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

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Cash and Cash Equivalents

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

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

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Notes to Financial Statements

(c) *Investments*

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

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

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

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

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

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

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

(g) *Interfund Transfers/Net Position*

The Authority reports interfund transactions when incurred, as follows:

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

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

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

(h) *Capital Assets and Facilities*

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

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Notes to Financial Statements

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

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

(i) Statement of Net Position Classifications

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

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

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

(j) Revenue and Expense Classifications

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

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

(k) Risk Management

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

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

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Notes to Financial Statements

During 2013, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

(2) CASH AND INVESTMENTS

As of December 31, 2013, the Authority's carrying amount of deposits was \$35,007,480 and bank balance of deposits was \$34,527,778. Of this amount, \$927,890 was covered by federal depository insurance, and \$33,599,887 was collateralized with securities held by the bank's agent but not in the Authority's name. The Authority's carrying amount of long-term nonnegotiable certificates of deposit as of December 31, 2013 was \$6,408,309. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

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

As of December 31, 2013, the Authority had the following investments and maturities:

Fund - Investment Type	Fair Value	Investment Maturity (in Years)			
		Less than 1	1 - 5	6 - 10	More Than 10
Operating:					
U.S. Agencies	\$2,137,484	1,357,878	779,606	-	-
Other Projects:					
U.S. Treasuries	11,325,643	1,528,324	9,797,319	-	-
U.S. Agencies	51,982,983	38,730,673	13,252,310	-	-
Municipal Bonds	543,324	-	543,324	-	-
STAROhio	1,061,379	1,061,379	-	-	-
Money Market	45,192,436	45,192,436	-	-	-
	110,105,765	86,512,812	23,592,953	-	-
Rural Utility Services:					
U.S. Treasuries	1,498,471	-	1,498,471	-	-
U.S. Agencies	9,446,529	6,273,611	3,172,918	-	-
Municipal Bonds	1,084,953	-	1,084,953	-	-
Money Market	4,634,484	4,634,484	-	-	-
	16,664,437	10,908,095	5,756,342	-	-

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Notes to Financial Statements

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2013, the Authority had investment balances with the following issuers which are greater than or equal to 5% of the respective fund's investment balance:

Fund	Issuer	Percent of Fund's Investments
Operating	Federal National Mortgage Association	36%
	Federal Farm Credit Bank	31%
	Federal Home Loan Mortgage Corporation	21%
	Federal Home Loan Bank	12%
Other Projects	Federal Home Loan Mortgage Corporation	16%
	Federal Home Loan Bank	15%
	Federal National Mortgage Association	14%
Rural Utility Services	Federal Home Loan Bank	27%
	Federal National Mortgage Association	18%
	Federal Home Loan Mortgage Corporation	12%
Community Assistance	Federal National Mortgage Association	17%
	Federal Home Loan Bank	15%
Fresh Water	Federal National Mortgage Association	22%
	Federal Home Loan Bank	8%
	Federal Home Loan Mortgage Corporation	8%
Water Pollution Control Loan	Federal Home Loan Bank	24%
	Federal National Mortgage Association	19%
	Federal Home Loan Mortgage Corporation	14%
Drinking Water Assistance	Federal Home Loan Mortgage Corporation	25%
	Federal Home Loan Bank	25%
	Federal National Mortgage Association	12%
	Federal Farm Credit Bank	8%

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2013, the Authority had cash and cash equivalents balances of \$180,473,497, which includes accrued interest receivables on money market balances. Below is a reconciliation of statement of net position and cash flows cash and cash equivalents balances:

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

(3) INTERFUND RECEIVABLES AND PAYABLES

On December 31, 2013, interfund balances consisted of:

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

As of December 31, 2013, there was \$92,980,000 of Community Assistance Water Development Revenue and Refunding Bonds outstanding, broken down by series as follows:

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

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

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

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

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

In conjunction with the Community Assistance 2013 transaction, the Authority also cash defeased \$13,360,000 of the Community Assistance Series 2003 Bonds. The Authority funded the defeasance with \$13,959,330 in cash on hand. Future debt service payments on the Series 2003 Bonds would

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

have totaled \$18,702,341 (\$17,724,838 present value as of April 30, 2013 defeasance), achieving an economic gain of \$3,765,508.

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

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

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

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2013, there is no accrued rebate liability for these bonds.

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Notes to Financial Statements

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

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on the first May or November preceding the first bond maturity date (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account on the first day of each May and November, a sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.
- d) To the Surplus account, on the first day of June and December of each year, remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date).

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

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

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

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

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

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Notes to Financial Statements

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

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

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

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

- a) Fresh Water Series 2001B – The Series 2001B Bonds are not subject to redemption prior to maturity.
- b) Fresh Water Series 2004 – The term bonds are subject to mandatory redemption beginning June 1, 2015. The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, or on any interest payment thereafter at par plus accrued interest.
- c) Fresh Water Refunding Series 2005 – The Series 2005 Bonds are not subject to redemption prior to maturity.
- d) Fresh Water Refunding Series 2006 – 1) The Series 2006 Bonds are not subject to optional redemption prior to their stated maturity. 2) The term bonds are subject to mandatory redemption beginning December 1, 2022.
- e) Fresh Water Series 2009A – The Series 2009A Bonds are not subject to redemption prior to maturity.
- f) Fresh Water Refunding Series 2009B – The Series 2009B Bonds are not subject to optional redemption prior to their stated maturity. The term bonds are subject to mandatory redemption beginning December 1, 2020.
- g) Fresh Water BABs Series 2010A-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2020. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

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Notes to Financial Statements

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

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

The bond resolution provides for six separate accounts designated as the Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2013, there is no accrued rebate liability for these bonds.

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

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

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

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

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

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Notes to Financial Statements

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

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

<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	5.00%	2014-2015	\$	2,770,000	2,110,000	4,880,000
	Term	5.25%	2016-2021		-	6,205,000	6,205,000
WPCLF State Match Series Totals					2,770,000	8,315,000	11,085,000
Add: unamortized premiums					-	421,019	421,019
					<u>\$ 2,770,000</u>	<u>8,736,019</u>	<u>11,506,019</u>

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

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2013, there is no accrued rebate liability for these bonds.

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

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

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Notes to Financial Statements

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

- a) To the Debt Service account, (1) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (a) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (b) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (2) on the last day of May, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate Fund, as necessary to make any payment required under Section 148(f) of the Internal Revenue Code.

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

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

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

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

CABS* - Capital Appreciation Bonds

Note^ - Floating Rate Note (frn)

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

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

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- f) Water Quality Series 2005B – The bonds maturing on or after December 1, 2017 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2015, at par plus accrued interest.
- g) Water Quality Refunding Series 2009 – These bonds are not subject to redemption prior to stated maturity.
- h) Water Quality Series 2010A – 1) The bonds maturing on or after June 1, 2020 are subject to prior redemption by and at the sole option of the Authority, in whole or in part, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. 2) The term bonds are subject to mandatory redemption beginning June 1, 2021. 3) Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following April 15, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on April 15, 2013.
- i) Water Quality Series 2010B-1 – The Series 2010B-1 Bonds are not subject to optional redemption prior to their stated maturity. Due to TIPRA, the bonds are subject to an extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to approximately 102% of the accreted value of each maturity on August 24, 2013.
- j) Water Quality Series 2010B-2 – 1) The BABs are subject to mandatory redemption beginning June 1, 2019. 2) The BABs shall be subject to an optional redemption prior to maturity, at the option of the Authority, in whole or in part, on any business day, at the make-whole redemption price. 3) The BABs are subject to extraordinary optional redemption if Section 54AA or 6431 of The Internal Revenue Code of 1986 is modified, amended, or interpreted in a manner pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated. 4) Due to TIPRA, the BABs are subject to extraordinary mandatory redemption at any time during the ninety-day period following August 24, 2013, in whole or in part, at a redemption price equal to 102% of the principal amount of each maturity selected, plus accrued and unpaid interest to the redemption date.
- k) Water Quality Refunding Series 2010C – These bonds are not subject to redemption prior to their stated maturity.
- l) Water Quality Refunding Series 2011A – These bonds are not subject to redemption prior to their stated maturity.
- m) Water Quality Refunding Series 2011B-1 – These bonds are not subject to redemption prior to their stated maturity.
- n) Water Quality Refunding Series 2011B-2 – These bonds are not subject to redemption prior to their stated maturity.
- o) Water Quality Refunding Series 2012A – These bonds are not subject to redemption prior to their stated maturity.
- p) Water Quality Series 2012-2013 Floating Rate Notes – These notes are subject to optional redemption, in whole or in part, 30 days after the date of issuance, at par plus accrued interest.
- q) Water Quality Series 2013-2014 Floating Rate Notes – These notes are subject to optional redemption, in whole or in part, 30 days after the date of issuance, at par plus accrued interest.

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

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

(a) Includes capital appreciation bonds at matured value.

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

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2013, there is an accrued rebate liability of \$149,033 for these bonds.

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

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

OHIO WATER DEVELOPMENT AUTHORITY

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

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

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

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

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

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

- a) State Match Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.
- b) State Match Refunding Series 2010B – These bonds are not subject to redemption prior to their stated maturity.

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Notes to Financial Statements

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

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2013, there is no accrued rebate liability for these bonds.

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

- a) To the Debt Service account, (1) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (a) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (b) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (2) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate account, as necessary to make any payment required to be paid to the United States of America under Section 148(f) of the Code.

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

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

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

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

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

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

- Leverage Series 2004 – The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.
- 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.
- Leverage Series 2005B – The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.
- Leverage Refunding Series 2008 – The term bonds are subject to mandatory redemption beginning June 1, 2019. The bonds maturing after June 1, 2018 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2018, at par plus accrued interest.
- Leverage Series 2010B – 1) The BABs are subject to mandatory redemption beginning June 1, 2022. 2) The BABs are subject to optional redemption by and at the sole option of the Authority, in whole multiples of \$5,000, either in whole or part on any date on or after June 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the

OHIO WATER DEVELOPMENT AUTHORITY

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

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

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

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

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

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

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2013, there is no accrued rebate liability for these bonds.

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

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

OHIO WATER DEVELOPMENT AUTHORITY

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outstanding DWAF Leverage Bonds due on the next interest payment date, and (c) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (2) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.

- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

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

(10) OUTSTANDING DEFEASED BONDS

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

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

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

(12) DEFINED BENEFIT PENSION PLAN

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

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

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

Postretirement Healthcare

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

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

OHIO WATER DEVELOPMENT AUTHORITY

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

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to healthcare was 1.00% for 2013. The Authority's 2013 employer contributions made to fund post-employment benefits were \$12,059, covering 21 participants. The Authority's 2012 and 2011 contributions to fund post-employment benefits were \$45,935 (21 participants) and \$45,597 (21 participants), respectively (4% allocated). The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

(13) COMMITMENTS

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

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

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

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(14) TRANSFERS

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

Transfer to Operating from:		
Drinking Water Assistance	\$	19
Transfer from Working Capital to:		
Fresh Water	\$	(20,834)
Transfers to (from) Other Projects from (to):		
Community Assistance		(4,108,519)
Fresh Water		34,384,073
Drinking Water Assistance		(1,295)
	\$	<u>30,274,259</u>
Transfers to Community Assistance from:		
Other Projects		4,108,519
Fresh Water		8,617,106
	\$	<u>12,725,625</u>
Transfers to (from) Fresh Water from (to):		
Working Capital		20,834
Other Projects		(34,384,073)
Community Assistance		(8,617,106)
	\$	<u>(42,980,345)</u>
Transfers to (from) Drinking Water Assistance from (to):		
Operating	\$	(19)
Other Projects		1,295
		<u>1,276</u>
Total Transfers, net	\$	<u>—</u>

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2013, the Authority made the following non-routine transfers:

- a) \$34,727,969 from the Fresh Water Fund to the Other Projects Fund after Fresh Water Restricted Cross Collateralization funds were released. These funds will be used for additional funding for Other Projects Fund loans and grants.
- b) \$9,618,184 from the Fresh Water Fund and \$5,000,000 from the Other Projects Fund to the Community Assistance Fund to cash defease the Community Assistance Series 2003 Bonds.
- c) \$1,001,078 from the Community Assistance Fund to the Fresh Water Fund for additional funding for Fresh Water Fund Loans.
- d) \$905,610 from the Community Assistance Fund to the Other Projects Fund for additional funding for Other Projects Fund loans and grants.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(15) CHANGES IN LONG-TERM LIABILITIES

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Ohio Water Development Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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springfield, oh 45502

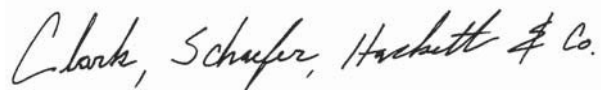
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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in dark ink on a light background.

Springfield, Ohio
March 26, 2014

APPENDIX D

CERTAIN DEFINITIONS

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When used herein, the following terms shall have the meanings set forth below. Additional terms used herein are more fully defined in the Trust Agreement, which is available upon request from the Authority.

“Act” means Chapter 6121, Ohio Revised Code, Section 6109.22, Ohio Revised Code, and Sections 9.98 through 9.983 inclusive, Ohio Revised Code, each as enacted and amended from time to time, and Section 2i of Article VIII of the Ohio Constitution.

“Additional Pledged Loan” means any loan that has ceased to be a “DWAF Loan” as defined in the State Match Trust Agreement as the result of, and from and after the time of, the meeting of all conditions set forth in Section 11(c) of the State Match General Bond Resolution, as defined in and incorporated into the State Match Trust Agreement.

“Additional Pledged Loan Repayments” means all payments of principal of and interest on any Additional Pledged Loan. As the payments of principal of DWAF Loans for purposes of the General Bond Resolution, payments of the principal of Additional Pledged Loans constitute Revenues and Pledged Revenues prior to their becoming Additional Pledged Loan Repayments.

“Appreciated Principal Amount” means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount thereof at its initial offering plus an amount of interest which, based on semi-annual compounding on each Compounding Date from the date of delivery on the basis of a 360-day year of twelve 30-day months, will produce a yield approximately equal to the yield to maturity for such Capital Appreciation Bond specified in the applicable Series Resolution. A schedule setting forth the Appreciated Principal Amount of a series of Capital Appreciation Bonds as of the Compounding Dates may be set forth in the form of Capital Appreciation Bond for that series. The Appreciated Principal Amount with respect to any date other than a Compounding Date is the Appreciated Principal Amount on the next preceding Compounding Date or dated date as noted on the form thereof, as the case may be, plus the difference between such amount and the Appreciated Principal Amount on the next succeeding Compounding Date, multiplied by a fraction the numerator of which is the number of days (based on a 360-day year of twelve 30-day months) from the preceding Compounding Date and the denominator of which is 180.

“Assumed Amortization Period” means the period of time specified in paragraph (i) or paragraph (ii) below, as selected by the Fiscal Officer:

(i) Five years; or

(ii) The period of time, exceeding five years, set forth in a written opinion of the Financial Advisor as not being longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would, then if being offered, be marketable on reasonable and customary terms.

“Assumed Interest Rate” means the rate per annum (determined as of the last day of the calendar month preceding the month in which the determination of Assumed Interest Rate is being made) set forth in a written opinion delivered to the Authority of an investment banker selected by the Authority and experienced in underwriting indebtedness of the character of the Leverage Bonds, as being not lower than the lowest rate of interest at which indebtedness having comparable terms, security and federal income tax status amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period, and issued or incurred by similar issuers of comparable credit standing would, if being offered as of such last day of the calendar month, be marketable on reasonable and customary terms; provided that such rate shall be neither (i) lower than the rate specified in the “Twenty Bond Index” published in The Bond Buyer, or a successor index, as in effect on the date of such opinion, nor (ii) higher than the highest rate permitted by law at which such Leverage Bonds could be sold on said day.

“Authenticating Agent” means the Registrar and any other bank, trust company or other Person designated as Authenticating Agent for the Leverage Bonds in accordance with the General Bond Resolution, or the Trust

Agreement, each of which shall be a transfer agent in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

“Authority” means the Ohio Water Development Authority, a body corporate and politic, organized and existing under the provisions of Chapter 6121 of the Ohio Revised Code, and “Chairman,” “Vice-Chairman,” “Executive Director,” and “Secretary-Treasurer” shall mean, respectively, the Chairman, Vice-Chairman, Executive Director and Secretary-Treasurer of the Authority.

“Balloon Bonds” means any Leverage Bonds (including Bond Anticipation Notes) (i) 25% or more of the principal payments of which are due in a single year, excluding any such principal payments that are subject to mandatory sinking fund requirements in a prior year, or (ii) 25% or more of the principal of which may, at the option of the Holder or Holders thereof, be redeemed at one time.

“Bond Anticipation Notes” means notes issued in anticipation of the issuance of Leverage Bonds with a maturity of one year or less.

“Bond Service Charges” means, for any period or date, the principal of and interest and any premium on the Leverage Bonds payable during that period or payable on that date, as the case may be, including any mandatory sinking fund requirements set forth in a Series Resolution for the retirement by mandatory redemption of Leverage Bonds. In determining Bond Service Charges for any period or date, mandatory sinking fund requirements to be paid during such period or on such date shall be included and principal maturities for which, and to the extent, mandatory sinking fund requirements were or are to be paid in a prior period or on a prior date shall be excluded.

“Business Day” means any day other than a Saturday, Sunday or on a day on which banking institutions in the State of Ohio are authorized or required by law to close or a day on which the Paying Agent or the Trustee is unable to open or be open for reasons not related to financial condition.

“Capital Appreciation Bonds” means Leverage Bonds the interest on which, during their entire term or any portion thereof, is payable only as a component of the Appreciated Principal Amount at maturity or redemption pursuant to the applicable Series Resolution.

“Capitalization Grant Subaccount” means the Capitalization Grant Subaccount established under the DWAF Trust Agreement.

“Capitalized Interest” means that portion, if any, of the proceeds of a series of Leverage Bonds that is designated as capitalized interest in or pursuant to the applicable Series Resolution and, pursuant to the General Bond Resolution, is deposited in the Debt Service Fund for the purpose of paying interest on such Leverage Bonds.

“Capitalized Interest Account” means the Capitalized Interest Account of the Debt Service Fund created in the General Bond Resolution, into which account shall be deposited that portion of the proceeds of a series of Leverage Bonds to be used to pay Capitalized Interest on such series of Leverage Bonds.

“Clearing Account” means the Drinking Water Assistance Fund Clearing Account established under the DWAF Trust Agreement.

“Code” means the Internal Revenue Code of 1986, as it may be amended from time to time.

“Compounding Date” means, as to a series of Capital Appreciation Bonds, any date on which interest is compounded thereon pursuant to the applicable Series Resolution.

“Consent of the Director” means the Consent of the Director conclusively evidenced with respect to any matter, unless otherwise provided for herein or in any Supplemental Agreement, by the execution by the Director of a document pertaining to any such matter.

“Costs of Issuance” means costs incurred directly or indirectly by the Authority or the Director in connection with the authorization, sale and issuance of Leverage Bonds, including, without limitation, underwriters’ discount, the fees and charges of attorneys, accountants, rating agencies, financial advisors and other consultants and professionals, the initial fees or charges of the Trustee, the Registrar, the Authenticating Agent, the Paying Agent, or the provider of a Credit Facility or the counterparty to an Interest Rate Hedge Agreement, printing costs, premiums for a municipal bond insurance policy insuring payment of Leverage Bonds, any other costs, charge or fee in connection with the original issuance of Leverage Bonds; provided that, notwithstanding anything in the General Bond Resolution, or the Trust Agreement to the contrary, no cost shall be a Cost of Issuance if the Code, the Act, or the Safe Drinking Water Act prohibits payment of such cost from the proceeds of the Leverage Bonds from which such payment would be made or if, under the Code, such payment would cause the interest on such Leverage Bonds to cease to be excluded from gross income for purposes of federal income taxation.

“Costs of Issuance Fund” means the Series Costs of Issuance Fund created in the General Bond Resolution and any subfunds thereof created pursuant to a Series Resolution, into which subfunds shall be deposited that portion of the proceeds of a series of Leverage Bonds to be used to pay Costs of Issuance of such series of Leverage Bonds.

“Credit Facility” means a letter of credit, a policy of municipal bond insurance or other credit facility provided with respect to a particular series of Leverage Bonds pursuant to Section 9.982 of the Ohio Revised Code and the Series Resolution and Supplemental Agreement applicable to such Leverage Bonds.

“Credit Facility Proceeds” means any amounts, which represent the proceeds of a draw upon a Credit Facility.

“Crossover Amount” means the amount of money and Escrow Securities which are on deposit in a Crossover Escrow Account and which, together with investment income thereon, are held as provided in the definition of a “Crossover Refunded Bond.”

“Crossover Date” means, when used with respect to any particular Crossover Refunding Bonds and Crossover Refunded Bonds, the date on which the Crossover Amount on deposit in a Crossover Escrow Account shall be used to retire all such outstanding Crossover Refunded Bonds for which such Crossover Escrow Account was established.

“Crossover Escrow Account” means an escrow account in which a Crossover Amount is deposited.

“Crossover Escrow Securities” means (i) Escrow Securities, and (ii) investment agreements that are fully collateralized by Escrow Securities or the issuer of which is rated in the highest rating category by Moody’s and Standard & Poor’s; provided, however, that Crossover Escrow Securities described in (ii) shall qualify as Crossover Escrow Securities only for purposes of securing Crossover Refunding Bonds.

“Crossover Refunded Bond” means any Leverage Bond if:

(i) The Trustee shall have received and shall hold in trust for and irrevocably committed thereto, moneys sufficient, or

(ii) The Trustee shall have received and shall hold in trust for and irrevocably committed thereto, Crossover Escrow Securities which are certified by an independent certified public accountant to be of such maturities, irrevocably established redemption dates or irrevocably established repurchase dates (if such Crossover Escrow Securities are subject to a repurchase agreement) and Interest Payment Dates, and to be of such principal amounts or irrevocably established redemption prices and to bear such interest, which together with any moneys to which reference is made in paragraph (i) above, without the need for further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust, except as provided herein) will be sufficient:

(a) for the payment of all principal of and premium, if any, on such Leverage Bond as the same becomes due, whether at its maturity or redemption date or otherwise, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all principal of and premium on such Leverage Bond to the date of the tender of payment; provided, that if any such Leverage Bond is to be redeemed prior to the maturity thereof, notice of that redemption shall have been given or irrevocable provision shall have been made for the giving of that notice; and

(b) for the payment of interest (in whole or in part) on any Crossover Refunding Bonds, the proceeds of which were, in whole or in part, deposited in such Crossover Escrow Account, or both. Prior to the Crossover Date, the Crossover Amount may be pledged as security for the Crossover Refunding Bonds, the Crossover Refunded Bonds, or both. The moneys and proceeds of such Crossover Escrow Securities shall, to the extent needed, be used for the foregoing purposes or used to reimburse a provider of a Credit Facility for amounts advanced by it for the foregoing purposes.

“Crossover Refunding” means an advance refunding in which Crossover Refunding Bonds are issued to refund Crossover Refunded Bonds and in which a Crossover Amount is deposited in a Crossover Escrow Account.

“Crossover Refunding Bonds” means any Leverage Bonds to the extent that any proceeds from the sale thereof shall, upon deposit in a Crossover Escrow Account, constitute a Crossover Account.

“DDAGW” means the Division of Drinking and Ground Waters of the OEPA.

“DEFA” means the Division of Environmental and Financial Assistance of the OEPA.

“DWAF Loan Agreement” means an agreement among the Authority, the Director and an Eligible Borrower participating in the Drinking Water Assistance Fund Program under which the Director agrees to lend money to the Eligible Borrower for its Project and the Eligible Borrower agrees to repay the loan.

“DWAF Loan Repayments” means the payments of principal of and interest on DWAF Loans.

“DWAF Loans” means (i) the loans to Governmental Agencies identified on Exhibit A to the Trust Agreement, funded from the Water Supply Revolving Loan Account of the Drinking Water Assistance Fund pursuant to DWAF Loan Agreements entered into prior to the date of the Original Trust Agreement; and (ii) all loans to Governmental Agencies funded from the Water Supply Revolving Loan Account of the Drinking Water Assistance Fund pursuant to the Water Supply Revolving Loan Account of the Loan Agreements entered into from and after the date of the Original Trust Agreement, other than any loan funded from the Unpledged Principal Account of the Other Projects Fund; provided, however, that (a) any loan described in clauses (i) or (ii) hereof shall cease to be a DWAF Loan in the event and from the time that all conditions set forth in the General Bond Resolution for the removal of such loan from the DWAF Loans for purposes of the Trust Agreement shall have been met, and (b) only that portion of a Principal Forgiveness Loan that is required by the applicable DWAF Loan Agreement to be repaid (i.e., the repayment of which is not forgiven) shall constitute a DWAF Loan.

“DWAF Notice of Required Investment” means the notice of that name that the Trust Agreement requires the Trustee to deliver under the circumstances described therein, a form of which is attached to the Trust Agreement as Exhibit B.

“DWAF Support Obligations” means the obligations of that name that the General Bond Resolution requires the Authority to issue under the circumstances and on terms specified therein.

“DWAF Trust Agreement” means the Amended and Restated Drinking Water Assistance Fund Trust Agreement among the Authority, the Director and the DWAF Trustee, dated as of May 1, 2002, pursuant to which there is deposited in the Drinking Water Assistance Fund certain proceeds of Leverage Bonds and State Match Bonds available to make loans pursuant to DWAF Loan Agreements.

“DWAF Trustee” means The Huntington National Bank, and any successor trustee as designated under or pursuant to the DWAF Trust Agreement.

“Debt Service Fund” means the Series Debt Service Fund created in the General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“Debt Service Reserve Fund” means the Series Debt Service Reserve Fund created in the General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“Depledged Loan Repayments” means the payments of the principal of and interest on Depledged Loans.

“Direct Payment” means a credit payment allowed pursuant to Section 54AA(g) of the Code with respect to Direct Payment BABs that is payable to the Authority by the U.S. Treasury as provided in Section 6431 of the Code.

“Direct Payment BABs” means Leverage Bonds that are “Build America Bonds” within the meaning of Section 54AA(d) of the Code and that are qualified bonds within the meaning of Section 54AA(g), the interest on which is includible in gross income for federal income tax purposes and with respect to which the Authority shall have made an irrevocable election to receive one or more Direct Payments.

“Director” means the Director of Environmental Protection pursuant to Chapter 3745 of the Ohio Revised Code, or in the event that said office becomes vacant, the duly appointed Acting Director until the date of appointment of the Director, and any such deputy directors or other officers or employees of the Environmental Protection Agency of the State of Ohio authorized by or pursuant to a writing of the Director of Environmental Protection to perform the act or sign the document in question.

“Drinking Water Assistance Fund” means the Drinking Water Assistance Fund created pursuant to Section 6109.22 of the Ohio Revised Code and held and maintained in accordance with the DWAF Trust Agreement.

“Eighth Supplemental Trust Agreement” means the Eighth Supplemental Trust Agreement, dated October 7, 2010, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Eleventh Supplemental Trust Agreement” means the Eleventh Supplemental Trust Agreement, dated as of December 1, 2014, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Eligible Investments” means and includes any of the following, if and to the extent the same are at the same time legal for the investment of the Authority’s money:

- (i) Governmental Obligations and Government Certificates.
- (ii) Obligations issued, guaranteed or collateralized by any of the following:
 - (a) Federal Home Loan Bank System,
 - (b) Export-Import Bank of the United States,
 - (c) Federal Financing Bank,
 - (d) Government National Mortgage Association,
 - (e) Farmers Home Administration,
 - (f) Federal Home Loan Mortgage Company,
 - (g) Federal Housing Administration,
 - (h) Private Export Funding Corporation,
 - (i) Federal National Mortgage Association,
 - (j) Federal Farm Credit Bank, and
 - (k) Resolution Trust Corporation,

or any indebtedness issued or guaranteed by any instrumentality or agency of the United States.

(iii) Pre-refunded municipal obligations rated in the highest rating category by at least Moody's and Standard & Poor's and meeting the following conditions:

(a) (1) such obligations are not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their call for redemption, and (2) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(b) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal, and premium payments on such obligations;

(c) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(d) the Government Obligations or Government Certificates serving as security for the obligations are held by an escrow agent or trustee; and

(e) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(iv) Direct and general long-term obligations of any state of the United States of America or the District of Columbia, to the payment of which the full faith and credit of such state of the United States of America or the District of Columbia is pledged and that are rated in any of the three highest rating categories by at least Moody's and Standard & Poor's.

(v) Direct and general short-term obligations of any state of the United States of America or the District of Columbia, to the payment of which the full faith and credit of such state is pledged and that are rated in the two highest rating categories by at least Moody's and Standard & Poor's.

(vi) Certificates of deposit, savings accounts, or deposit accounts with, or depository receipts of commercial banks, national banking associations, mutual savings banks, savings and loan associations or trust companies that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such certificates, accounts or receipts must be (a) continuously and fully insured by FDIC, (b) if they have a maturity of one year or less, with or of such institutions that are rated in one of the two highest short term rating categories by at least Moody's and Standard & Poor's, (c) if they have a maturity longer than one year, with Moody's and Standard & Poor's, or (d) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party shall have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral is to be free from all other third party liens.

(vii) Eurodollar time deposits issued by a bank with a deposit rating in one of the top two short-term credit rating categories by at least Moody's and Standard & Poor's.

(viii) Repurchase agreements, (a) the maturities of which are 30 days or less or (b) the maturities of which are longer than 30 days and not longer than one year, provided the collateral subject to such agreements are marked to market daily, and in either case are entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, and a member of the Securities Investors Protection Corporation,

or with a dealer or parent holding company that is rated investment grade by at least Moody's and Standard & Poor's. The repurchase agreement shall be in respect of Government Obligations and Government Certificates or obligations described in paragraph (ii) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (ii), exclusive of accrued interest, shall be maintained in an amount equal to at least 103% of the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(1) the third party (who shall not be the provider of the collateral) has the possession of the repurchase agreement securities and the collateral securities;

(2) failure to maintain the requisite collateral levels will require the third party having possession of the collateral securities to liquidate the securities immediately; and

(3) the third party having possession of the collateral securities has a perfected, first priority security interest in them.

(ix) Public housing bonds issued by public agencies. Such bonds must be: fully secured by a pledge of annual contributions under a contract with the United States of America; temporary notes, preliminary loan notes, or project notes secured by a requisition or payment agreement with the United States of America; or obligations of a state, public agency, or municipality rated in the highest credit rating category by at least Moody's and Standard & Poor's.

(x) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in one of the top two short-term or top three long-term rating categories by at least Moody's and Standard & Poor's, including money market mutual funds of a registered investment company for which the Trustee or an affiliate provides services and receives a fee.

(xi) Investment agreements, the issuer of which is rated in the highest rating categories, by at least Moody's and Standard & Poor's.

(xii) Any debt or fixed income security, the issuer of which is rated in the highest rating categories by at least Moody's and Standard & Poor's.

(xiii) Star Ohio, the Ohio Subdivisions' Investment Fund created and administered by the Treasurer of the State of Ohio pursuant to Section 135.45 of the Ohio Revised Code.

Notwithstanding the foregoing, the Trust Agreement or any Supplemental Agreement may provide that any obligations (other than Government Obligations or Government Certificates) otherwise constituting Eligible Investments shall not constitute Eligible Investments for all or any portion of the moneys on deposit in any one or more Special Funds if the officers of the Authority executing the Trust Agreement or such Supplemental Agreement on behalf of the Authority determine that such provision is necessary in order to enhance the perceived creditworthiness of any Leverage Bonds (which determination shall be conclusively evidenced by the execution of such official or officials of the Trust Agreement or Supplemental Agreement containing such provision). The value of the above investments shall be determined as provided in "Value" below.

"Encumbered Funds" means the moneys at any time on deposit in a fund, account, or subaccount that are encumbered on the Authority's accounting records to fulfill the Authority's obligations under the DWAF Loan Agreements.

"Escrow Securities" means: (i) Government Certificates and Government Obligations; and (ii) Eligible Investments of the character described in clauses (i), (ii) and (iv) of the definition of "Eligible Investments"; provided, however, that obligations of the character described in clauses (i), (ii) and (iv) of the definition of "Eligible Investments" shall constitute Escrow Securities only if such obligations shall not be subject to redemption prior to their stated maturities or irrevocable redemption date other than at the option of the holder thereof, except

that obligations of the character described in clause (i) of the definition of “Eligible Investments” which are subject to redemption prior to their stated maturity at the option of the issuer thereof on a specified date or dates shall constitute Escrow Securities if the conditions to their constituting Escrow Securities set forth in the Trust Agreements are met.

“Excess Earnings” means, with respect to each series of the Leverage Bonds, an amount equal to the sum of (i) the excess of: (a) the aggregate amount earned from the date of issuance of such series of Leverage Bonds on all nonpurpose investments in which gross proceeds of such series of Leverage Bonds are invested (other than investments attributable to an excess described in this clause), over (b) the amount that would have been earned if such nonpurpose investments were invested at a rate equal to the yield on such series of Leverage Bonds, and (ii) any income attributable to any excess described in clause (i). Excess Earnings shall be determined in accordance with Section 148(f) of the Code and the applicable Treasury Regulations (final, temporary or purposed) thereunder. As used in this definition of Excess Earnings, the terms “gross proceeds”, “nonpurpose investments” and “yield” have the meanings assigned to them for purposes of Section 148 of the Code.

“Executive Director” means the Executive Director of the Authority, or, in the event that said office becomes vacant and an Executive Director has not been appointed by the Authority, the Acting Executive Director of the Authority duly appointed by the Authority until the date of the appointment of the Executive Director of the Authority, and such deputy directors or other officers or employees of the Authority authorized by or pursuant to a writing of the Executive Director to perform the act or sign the document in question.

“Federal Capitalization Grants” means capitalization grants authorized in Section 1452 of the Safe Water Drinking Act and awarded to the State.

“Fifth Supplemental Trust Agreement” means the Fifth Supplemental Trust Agreement, dated May 31, 2006, supplementing the Original Trust Agreement as the same may be amended or supplemented.

“Financial Advisor” means Public Financial Management, Inc. or any other firm or person (other than an employee or member of the Authority) with demonstrated expertise in matters of public finance, designated or engaged by the Authority to serve as its financial advisor with regard to (among other things) the structuring and sale of the Authority’s debt obligations.

“First Supplemental Trust Agreement” means the First Supplemental Trust Agreement, dated as of May 1, 2002, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Fiscal Officer” means the Chief Operating Officer of the Authority, or such officer as shall succeed to the fiscal responsibilities of the Chief Operating Officer.

“Fourth Supplemental Trust Agreement” means the Fourth Supplemental Trust Agreement, dated October 27, 2005, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“General Bond Resolution” means the means the resolution providing for the issuance of Leverage Bonds from time to time and approving the Agreement and related matters, as it may be further amended or supplemented from time to time.

“Government Certificates” means (in the case of Government Obligations) evidences of ownership of proportionate interest in future interest or principal payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interest must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated.

“Government Obligations” means direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Governmental Agency” or “Governmental Agencies” means a governmental agency or governmental agencies as defined in paragraph (B) of Section 6121.01 of the Ohio Revised Code eligible to receive financial assistance pursuant to Section 6109.22 of the Ohio Revised Code.

“Governmental Loan” means any loan made under the Drinking Water Assistance Fund Program to a governmental agency.

“Governmental Loan Repayments” means the payments of the principal of and interest on Governmental Loans.

“Gross Proceeds” means, with respect to any series of Leverage Bonds, “gross proceeds” as such term is used in Section 148 of the Code and the regulations applicable thereunder.

“Holder” means the Person in whose name a Leverage Bond is registered on the Register, except that with respect to a Leverage Bond or a Bond Anticipation Note with a maturity of one year or less payable to or registered to bearer, “Holder” shall mean the bearer of such Leverage Bond or Bond Anticipation Note.

“Interest Fund” means the Drinking Water Assistance Interest Fund established under the DWAF Trust Agreement.

“Interest Payment Date” means, as to each series of Leverage Bonds, each June 1 and December 1, designated as an Interest Payment Date or a date on which interest on any Leverage Bond of such series is due and payable in or pursuant to the applicable Series Resolution.

“Interest Rate Hedge Agreement” means an interest rate swap, an interest rate cap or other such arrangement obtained with the goal of lowering the effective interest rate to the Authority on Leverage Bonds or hedging the exposure of the Authority with respect to its obligations on the Leverage Bonds against fluctuations in prevailing interest rates.

“Leverage Bonds” means the State of Ohio Drinking Water Assistance Fund Revenue Bonds, Leverage Series, issued from to time by the Authority.

“Leverage Subaccount” means the Drinking Water Assistance Fund Leverage Subaccount created within the Clearing Account pursuant to Section 2.1 hereof.

“Mail” or “mailed” or “mailing” means sending by first class mail, postage prepaid.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Bond Proceeds” means, with respect to Leverage Bonds, the Bond Proceeds less any amounts deposited with the Trustee, to the credit of the Costs of Issuance Fund, Debt Service Fund and Debt Service Reserve Fund.

“Net Bond Proceeds Fund” means the Series Net Bond Proceeds Fund created in the General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“Ninth Supplemental Trust Agreement” means the Ninth Supplemental Trust Agreement, dated October 1, 2013, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Non-governmental Loan” means any loan made under the Drinking Water Assistance Fund Program to a person other than a governmental agency.

“Non-governmental Loan Repayments” means the payments of the principal of and interest on Non-governmental Loans.

“Non-qualified Loan” means, at any time, any DWAF Loan on which the Governmental Agency that is a party thereto has failed to make a payment of principal or interest at the time and in the amount required, which failure has continued for more than two months and remains uncured.

“OEPA” means the Ohio Environmental Protection Agency.

“Original Trust Agreement” means the Trust Agreement, dated as of May 1, 2002, among the Authority, the Director and the Trustee securing the Leverage Bonds.

“Original Purchasers” means, as to any series of Leverage Bonds, the Person or Persons identified as the purchaser or purchasers in or pursuant to the applicable Series Resolution.

“Other Projects Fund” means the Other Projects Fund in the Drinking Water Assistance Fund created pursuant to the DWAF Trust Agreement.

“Paying Agent” means the Trustee and any bank or trust company designated as a Paying Agent by or in accordance with the Trust Agreement.

“Paying Agents” means the Trustee, the State Match Trustee and any bank or trust company designated as a Paying Agent by or in accordance with either Trust Agreement.

“Payment Obligations” means any amounts other than Bond Service Charges to be paid to any provider of a Credit Facility or of an Interest Rate Hedge Agreement.

“Person” or words importing person means firms, associates, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, Governmental Agencies, other legal entities and natural persons.

“Pledged Revenues” means the related (i) Revenues, (ii) Special Funds under the Trust Agreement, the moneys which may at any time be on deposit in the Special Funds and the income and profit from the investment thereof (except any Credit Facility Proceeds, and any amounts required to be rebated to the United States of America under any applicable federal income tax law), and (iii) any other funds and moneys which may be subjected to the pledge of the Trust Agreement by subsequent action of the Authority with the Consent of the Director.

“Principal Forgiveness Loan” means a loan made under a DWAF Loan Agreement that obligates the Governmental Agency that is a party thereto to repay less than all of the principal amount thereof and under which the Authority and the Director forgive the repayment of the balance of the principal.

“Principal Fund” means the Drinking Water Assistance Fund Principal Fund in the Drinking Water Assistance Fund established under the DWAF Trust Agreement.

“Principal Retirement Date” means, as to each series of Leverage Bonds, each date designated as a Principal Retirement Date or a date on which principal of any Leverage Bond of such series is due and payable, whether at maturity or due to mandatory sinking fund requirement, in or pursuant to the applicable Series Resolution.

“Project” means a project or activity qualifying for financial assistance under Section 6109.22 of the Ohio Revised Code and shall be identified by the Governmental Agency or Governmental Agencies involved and the date of the DWAF Loan Agreement relating thereto, and in the case of a Non-governmental Loan, by reference to the borrower and the date of the loan agreement applicable thereto).

“Project Loan Rate” means, at the time of determination, the standard rate (i.e., the rate that applies prior to any discounts or other reductions) at which the Authority and the Director make loans from the Drinking Water Assistance Fund to Governmental Agencies for Projects.

“Projected Payments” means the estimated payments, as determined by the Authority with the assistance of the Director, representing estimated principal or interest, as applicable, to be received by the Authority on the DWAF Loans.

“Qualified Reserve Credit Facility” means a Credit Facility issued or guaranteed by an entity rated “AAA,” “Aaa” or the equivalent by all Rating Agencies, which Credit Facility permits the Trustees to draw thereon at any time that the Trust Agreements require the Trustees to withdraw moneys from the Debt Service Reserve Fund, and which Credit Facility does not expire until the portion of the Required Reserve Fund Balance funded by such Credit Facility is no longer required to be funded thereby, either because all the Leverage Bonds to which such portion relates shall have ceased to be outstanding or because cash and investments and other Qualified Reserve Credit Facilities shall have been deposited in the Leverage Debt Service Reserve Fund or with an aggregate Value at least equal to the Leverage Required Reserve Fund Balance.

“Rating Agencies” or “Rating Services” means Moody’s, Standard & Poor’s, Fitch Ratings and their respective successors and assigns.

“Rebate Fund” means the Series Rebate Fund created in the General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“Register” means the books kept and maintained by the Registrar for registration and transfer of fully registered Leverage Bonds pursuant to the Trust Agreement.

“Registrar” means U.S. Bank National Association, Columbus, Ohio, the Trustee, unless and until a successor Registrar shall succeed as Registrar pursuant to the applicable provisions of the Trust Agreement. The Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

“Reimbursement Agreement” means, with respect to a series of Leverage Bonds, any agreement or agreements between two or more Credit Facility providers and the Authority under or pursuant to which a Credit Facility for such series of Leverage Bonds is issued or provided and which sets forth the respective obligations of the Authority and of the Credit Facility provider or providers.

“Remarketing Agent” means the Remarketing Agent as defined and appointed in a Supplemental Agreement applicable to a series of Leverage Bonds.

“Required Reserve Fund Balance” means a fund balance in the Debt Service Reserve Fund at least equal to the lesser of (i) 50% of the maximum annual Bond Service Charges on all Bonds issued and outstanding, or (ii) 10% of the principal amount of all Bonds issued and outstanding. For purposes of determining the Required Reserve Fund Balance, Bond Service Charges shall be computed in accordance with the General Bond Resolution with respect to the categories of Bonds covered by the General Bond Resolution.

“Revenues” means (i) all payments of principal made on all existing and future DWAF Loans and payable to the Authority after the date of the first series of Leverage Bonds (ii) all Additional Pledged Loan Repayments, (iii) all income and profit from the investment and reinvestment of such payments of principal, and (iv) all Direct Payments received by the Authority relating to Leverage Bonds.

“Safe Drinking Water Act” means Section 1452 of the federal Safe Drinking Water Act, as amended.

“Second Supplemental Trust Agreement” means the Second Supplemental Trust Agreement, dated February 27, 2004, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Series Resolution” means a resolution of the Authority authorizing the issuance of Leverage Bonds in accordance with the Drinking Water Assistance Fund Bond Resolution and particularly the General Bond Resolution and the Trust Agreement, and includes any resolution, and any certificate authorized by any resolution, providing for the award and terms of the Leverage Bonds, authorized by such Series Resolutions.

“Set-Aside Account” means the Set-Aside Account in the Drinking Water Assistance Fund created by DWAF Trust Agreement.

“Special Funds” means the Debt Service Fund, Debt Service Reserve Fund, Net Bond Proceeds Fund, the Leverage Subaccount, the Surplus Principal Account (except any Encumbered Funds therein) and the Capitalization Grant Subaccount (except any Credit Facility Proceeds and any amounts required to be rebated to the United States of America under any applicable federal income tax law).

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“State” means the State of Ohio.

“State Match Bonds” means the State of Ohio Drinking Water Assistance Fund Revenue Bonds, State Match Series, issued from time to time by the Authority.

“State Match Debt Service Fund” means the State Match Series Debt Service Fund created in the State Match General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“State Match Debt Service Reserve Fund” means the State Match Series Debt Service Reserve Fund created in the State Match General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“State Match General Bond Resolution” means the resolution providing for the issuance of State Match Bonds from time to time and approving the Agreement and related matters, as it may be further amended or supplemented from time to time.

“State Match Net Bond Proceeds Fund” means the State Match Series Net Bond Proceeds Fund created in the State Match General Bond Resolution and any subfunds thereof and accounts of such subfunds created pursuant to any Series Resolution.

“State Match Subaccount” means the Drinking Water Assistance Fund State Match Subaccount created within the Clearing Account pursuant to the State Match Trust Agreement.

“State Match Trust Agreement” means the Trust Agreement, dated as of May 1, 2002, among the Authority, the Director and the State Match Trustee securing the State Match Bonds, as the same may be supplemented and amended from time to time.

“State Match Trustee” means The Bank of New York Mellon Trust Company, N.A., and any successor trustee as designated under or pursuant to the State Match Trust Agreement.

“Supplemental Agreement” means any one or more of the supplemental trust agreements entered into pursuant to Article VII of a Trust Agreement, and includes, where set forth therein, the applicable Series Resolution.

“Surplus Principal Account” means the Surplus Principal Account created pursuant to the DWAF Trust Agreement as an account in the Other Projects Fund.

“Tender Agent” means any Person appointed in a Supplemental Agreement applicable to a series of Leverage Bonds.

“Tenth Supplemental Trust Agreement” means the Tenth Supplemental Trust Agreement, dated October 1, 2014, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Third Supplemental Trust Agreement” means the Third Supplemental Trust Agreement, supplementing the Original Trust Agreement, as the same may be amended or supplemented.

“Trust Agreement” means the Original Trust Agreement as supplemented by the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust Agreement, the Seventh Supplemental Trust Agreement, the Eighth Supplemental Trust Agreement, the Ninth Supplemental Trust Agreement, the Tenth Supplemental Trust Agreement, and the Eleventh Supplemental Trust Agreement, as the same may be amended or supplemented from time to time in accordance with its terms.

“Trustee” means U.S. Bank National Association, Columbus, Ohio, and any successor Trustee designated as such pursuant to the Trust Agreement.

“Unpledged Principal Payments” means principal payments on DWAF Loans payable to the Authority or the DWAF Trustee prior to May 1, 2002.

“Value” with respect to an investment held in or credited to any Special Fund (i) means, as of any date of determination, the lesser of the original cost of such investment or the fair market value thereof as of such date of determination, except that for the purpose of complying with the provisions of Section 148 of the Code and the regulations applicable thereunder, “Value” shall be determined as required by such Section 148 and regulations, and (ii) with respect to a Qualified Reserve Credit Facility, the amount permitted to be drawn thereunder.

“Variable Rate Bond” means any Leverage Bond not bearing interest throughout its term at a fixed interest rate, but rather at a rate which varies from time to time based upon a formula or other method of determination set forth in the applicable Series Resolution; provided, however, that if any Leverage Bond is issued in conjunction with another Leverage Bond which bears interest at a rate that is, at all times, the balance remaining after the subtraction of the rate of interest on the other Leverage Bond from a constant, with the result that the rate of interest paid by the Authority on the two Leverage Bonds is, and must at all times be, fixed, then neither of such conjoined Leverage Bonds shall be treated as a Variable Rate Bond for purposes of the Agreement, but rather such Leverage Bonds shall be treated together as a fixed rate Leverage Bond, as applicable .

“WPCLF Bond Trust Agreement” means the WPCLF Bond Trust Agreement, dated May 1, 2014, among the Authority, the Director, and the WPCLF Bond Trustee.

“WPCLF Bond Trustee” means U.S. Bank National Association, or any successor bond trustee as designated under or pursuant to the WPCLF Bond Trust Agreement.

“WPCLF Support Obligations” means the obligations of that name that the Trust Agreement requires the Authority to issue under the circumstances and on terms specified therein and that are duly authorized and issued under the WPCLF.

“WPCLF Trust Agreement” means the Amended and Restated Water Pollution Control Loan Fund Trust Agreement, dated as of October 1, 1995, as amended, among the Authority, the Director and the WPCLF Trustee.

“WPCLF Trustee” means The Huntington National Bank, and any successor trustee as designated under or pursuant to the WPCLF Trust Agreement.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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The following is a Summary of Certain Provisions of the Trust Agreement. The summary does not purport to be a complete description of the Trust Agreement and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Trust Agreement, copies of which are available upon request to the Authority.

The Series 2014 Leverage Refunding Bonds are being issued pursuant to and secured by the Trust Agreement among the Authority, the Director and the Trustees, which includes the General Bond Resolution. The Series Resolution authorizing the Series 2014 Leverage Refunding Bonds will be incorporated in and will constitute part of the Eleventh Supplemental Trust Agreement.

In connection with the Drinking Water Assistance Fund Program, the Authority and the Director have entered into three separate trust agreements. The Amended and Restated DWAF Trust Agreement (the “DWAF Trust Agreement”) is among the Authority, the Director and The Huntington National Bank, Columbus, Ohio, as DWAF Trustee. The Original Trust Agreement, as amended and supplemented including by the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust Agreement, the Seventh Supplemental Trust Agreement, the Eighth Supplemental Trust Agreement, the Ninth Supplemental Trust Agreement, the Tenth Supplemental Trust Agreement, and the Eleventh Supplemental Trust Agreement (the “Trust Agreement”), is among the Authority, the Director and U.S. Bank National Association, Columbus, Ohio, as Trustee. The Original State Match Bond Trust Agreement, as amended and supplemented by the First Supplemental State Match Trust Agreement, the Second Supplemental State Match Trust Agreement, the Third Supplemental State Match Trust Agreement and the Fourth Supplemental State Match Trust Agreement (the “State Match Trust Agreements”), is among the Authority, the Director and The Bank of New York Mellon Trust Company, N.A., Cincinnati, Ohio, as successor trustee to Fifth Third Bank, as State Match Trustee.

The Trust Agreement refers to certain sections of the DWAF Trust Agreement that create and order maintained in the custody of the DWAF Trustee various accounts, subaccounts and funds of the Drinking Water Assistance Fund, including, but not limited to, the “Principal Fund” and “Interest Fund”, into which Revenues and Pledged Revenues will be deposited.

So long as the Book Entry System is in effect with respect to the Series 2014 Leverage Refunding Bonds, the Authority and the Trustee will recognize the Depository, initially DTC, or its nominee, Cede & Co., as the Holder of the Series 2014 Leverage Refunding Bonds for all purposes, including compliance with the covenants described below. See “THE SERIES 2014 LEVERAGE REFUNDING BONDS.”

Establishment, Application and Investment of the Drinking Water Assistance Fund

The following is a summary of certain provisions of the DWAF Trust Agreement. The summary does not purport to be a complete description of the DWAF Trust Agreement and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the DWAF Trust Agreement, copies of which are available upon request to the Authority.

Pursuant to the DWAF Trust Agreement, the Director and the Authority have created and ordered maintained in the custody of the DWAF Trustee the following funds, subfunds and accounts:

- Set-Aside Account
 - Administrative Subaccount
 - Wellhead Protection Subaccount
 - Source Water Protection Subaccount
 - Technical Assistance Subaccount
- Clearing Account
 - Capitalization Grant Subaccount
 - State Match Subaccount
 - Leverage Subaccount
- Depledged Loan Repayments Fund

- Interest Fund
- Principal Fund
- Other Projects Fund
 - Surplus Interest Account
 - Surplus Principal Account
 - Unpledged Principal Account

All of the Funds, Accounts and Subaccounts listed above, with the exception of the Set-Aside Account, collectively constitute the Water Supply Revolving Loan Account for purposes of the Act. The Clearing Account, the Depledged Loan Repayments Fund, the Interest Fund, the Principal Fund, and the Other Projects Fund and all amounts therein shall be, and shall be deemed to be, held and maintained by the DWAF Trustee as parts of the Drinking Water Assistance Fund for all purposes of State and Federal law. The Debt Service Fund, the Debt Service Reserve Fund and the Net Bond Proceeds Fund created under the Trust Agreement shall be, and shall be deemed to be, held and maintained by the Trustee as parts of the Drinking Water Assistance Fund for all purposes of State and Federal law. The State Match Debt Service Fund, the State Match Debt Service Reserve Fund and the State Match Net Bond Proceeds Fund created under the State Match Trust Agreement shall be, and shall be deemed to be, held and maintained by the State Match Trustee as parts of the Drinking Water Assistance Fund for all purposes of State and Federal law. The Capitalization Grant Subaccount, the State Match Subaccount, and the Leverage Subaccount and all amounts therein shall be, and shall be deemed to be, held and maintained by the DWAF Trustee as parts of the Clearing Account for all purposes of State and Federal law.

The complete designation of the Set-Aside Account, the Clearing Account, the Depledged Loan Repayments Fund, the Interest Fund, the Principal Fund, and the Other Projects Fund shall consist of the words “Drinking Water Assistance Fund” preceding the name of each such account or fund. The complete designation of the Administrative Subaccount, the Wellhead Protection Subaccount, the Source Water Protection Subaccount, the Technical Assistance Subaccount, the Capitalization Grant Subaccount, the State Match Subaccount, and the Leverage Subaccount shall consist of the words “Drinking Water Assistance Fund” and the name of the applicable account or fund preceding the name of each such Subaccount.

In addition to the foregoing accounts, funds and subaccounts, the DWAF Trustee shall create such other accounts, funds, and subaccounts, as may be necessary or desirable in its judgment or as the Executive Director, with the Consent of the Director, shall direct, for the purpose of accounting for moneys deposited with and disbursed by the DWAF Trustee or for the segregation of moneys and investments as necessary under the terms of the DWAF Trust Agreement.

To the extent required by the DWAF Trust Agreement or required in writing by the Executive Director with the Consent of the Director, the DWAF Trustee must maintain the amounts in any account, fund, or subaccount created pursuant to this DWAF Trust Agreement separate and apart from any other accounts, funds, or subaccounts, and without commingling or pooling the same for purposes of investment or otherwise.

Moneys in the Principal Fund and the Surplus Principal Account are “Leverage Revenues” and “Pledged Revenues” under the Trust Agreement and are subject to the lien and pledge thereof. Moneys in the Interest Fund and the Surplus Interest Account are “State Match Revenues” and “State Match Pledged Revenues” under the State Match Trust Agreement and are subject to the lien and pledge thereof. In the event of any inconsistency between the provisions of this DWAF Trust Agreement and the provisions of the State Match Trust Agreement or the Trust Agreement with respect to the permitted or required application or disposition of such moneys, the provisions of the State Match Trust Agreement or Trust Agreement, as the case may be, shall prevail.

Establishment, Maintenance and Application of Special Funds, the Net Bond Proceeds Fund and the Cost of Issuance Fund

Pursuant to the Trust Agreement, there are created by the Authority and ordered maintained in the custody of the Trustee the following trust funds: (i) the Net Bond Proceeds Fund, (ii) the Debt Service Fund, (iii) the Debt Service Reserve Fund, and (iv) the Costs of Issuance Fund. A Series Resolution pursuant to which a series of Leverage Bonds is issued will establish within the Net Bond Proceeds Fund, the Debt Service Fund and the Debt

Service Reserve Fund, a separate subfund relating to that series of Leverage Bonds. A Series Resolution will establish within the Net Bond Proceeds Fund a separate subfund into which shall be deposited the Net Bond Proceeds of the series of Leverage Bonds issued under such Series Resolution. A Series Resolution will establish within the Cost of Issuance Fund a separate subfund into which will be deposited that portion of the proceeds of the series of Leverage Bonds issued under such Series Resolution to be used to pay Costs of Issuance of such series of Leverage Bonds.

The Leverage Debt Service Fund and the moneys and Eligible Investments therein will be used solely and exclusively for the payment of Leverage Bond Service Charges as they become due, all as provided in the Trust Agreement and thereafter, for the payment of any Payment Obligations. If after making any allocation of Leverage Revenues in accordance with the Trust Agreement, the Trustee determines that the amount in the Leverage Debt Service Fund is less than the amount of the Leverage Bond Service Charges and Payment Obligations then due, the Trustee shall transfer or cause to be transferred to the Leverage Debt Service Fund amounts from the following funds or accounts in the following order to the extent necessary to make good such deficiency or deficiencies:

- i. the Surplus Principal Account,
- ii. the Leverage Net Bond Proceeds Fund,
- iii. the Leverage Subaccount,
- iv. the Leverage Debt Service Reserve Fund,
- v. the Capitalization Grant Subaccount,
- vi. the Principal Fund, and
- vii. the Interest Fund (subject to the conditions described in the DWAF Trust Agreement and as summarized below).

The proceeds of any series of Leverage Bonds that constitute Capitalized Interest shall be deposited in a Capitalized Interest Account in the Debt Service Fund and applied to the payment of interest on the Leverage Bonds of that series until such Capitalized Interest has been fully expended.

The Debt Service Reserve Fund and the moneys, Eligible Investments (permitted for the Debt Service Reserve Fund under the Trust Agreement) and Qualified Reserve Credit Facilities therein shall be used solely and exclusively for making the transfers from the Debt Service Reserve Fund to the Debt Service Fund for the payment of Bond Service Charges as they become due, as provided above. Prior to making the allocations of Revenues pursuant to the Trust Agreement, the Trustee shall transfer all amounts from the Debt Service Reserve Fund to the Debt Service Fund that constitute interest income on Eligible Investments and that are in excess of the Required Reserve Fund Balance. If at any time the Value of the moneys, Eligible Investments (permitted for the Debt Service Reserve Fund under the Trust Agreement) and Qualified Reserve Credit Facilities on deposit in the Debt Service Reserve Fund is less than the Required Reserve Fund Balance, then the Trustee shall transfer or cause to be transferred to the Debt Service Reserve Fund amounts from the Surplus Principal Account to the extent necessary to make good such deficiency or deficiencies.

If at any time the moneys on deposit in the Debt Service Reserve Fund together with those on deposit in the Debt Service Fund and available for the purpose shall be sufficient to retire in full all Leverage Bonds, then outstanding on the next available redemption date, then the Trustee shall upon request of the Authority and the Director use such moneys to accomplish such retirement.

The Trust Agreement provides that, in the event that on the first day of any month that precedes a month in which an Interest Payment Date occurs, the combined balance on deposit in the Debt Service Funds and the Debt Service Reserve Funds is less than the amount of the Bond Service Charges and any amounts due to a provider of any Credit Facility payable on such Interest Payment Date, then the Trustee shall deliver to the Authority, the Director and the WPCLF Trustee a DWAF Notice of Required Investment, which shall specify: the amount by which the Trustees expect the combined balance on deposit in the Debt Service Funds and the Debt Service Reserve Funds to be insufficient for purposes of payment of the Bond Service Charges and any amounts due to a provider of any Credit Facility payable on such Interest Payment Date, which shall be based on the assumption of no additional receipts to the Debt Service Funds or the Debt Service Reserve Funds prior to such Interest Payment Date. Upon receipt of a DWAF Notice of Required Investment, the Authority and the Director are required to proceed to take all actions necessary and appropriate for the issuance of DWAF Support Obligations in a principal amount equal to the

amount of the expected insufficiency specified in the DWAF Notice of Required Investment and, on or prior to the Business Day preceding the next Interest Payment Date, for the sale and delivery of those DWAF Support Obligations to the WPCLF Trustee as investments for moneys in the WPCLF Surplus Principal Fund and the WPCLF Surplus Interest Fund pursuant to the WPCLF Trust Agreement. In the event that the WPCLF Trustee notifies the Trustees that the total amount at the time available in the WPCLF Surplus Principal Fund and the WPCLF Surplus Interest Fund for investment in DWAF Support Obligations is less than the amount of the expected insufficiency specified in the DWAF Notice of Required Investment, then the Trustees are required to so notify the Authority and the Director, and they thereupon cause the DWAF Support Obligations to be issued in the amount that the WPCLF Trustee shall have notified the Trustees is available for investment in DWAF Support Obligations. Additional DWAF Support Obligations are issued at any time that the WPCLF Trustee notifies the Trustees that additional moneys are available in the WPCLF Surplus Principal Fund and the WPCLF Surplus Interest Fund for investment in DWAF Support Obligations, until the elimination of the insufficiency that prompted the DWAF Notice of Required Investment.

In the event that, prior to such prior Business Day preceding the Interest Payment Date, the Authority causes other legally available funds to be deposited in the Debt Service Funds in sufficient amount to eliminate the expected insufficiency that prompted the notice, then the Trustees are required to notify the Authority and the Director and rescind the DWAF Notice of Required Investment.

Upon the written direction and approval of the Executive Director, the Trustee will pay from the subfund of the Costs of Issuance Fund established with respect to a series of Leverage Bonds to the parties set forth in such direction the amounts set forth therein representing Costs of Issuance of such series of Leverage Bonds. If, after the payment of all Costs of Issuance of such series of Leverage Bonds, moneys remain in such subfund of the Costs of Issuance Fund, then the Executive Director will file a certificate with the Trustee stating that all Costs of Issuance of such series of Leverage Bonds have been paid and that no other Costs of Issuance are owing and payable from such subfund of the Costs of Issuance Fund. As soon as practicable after the filing with the Trustee of the certificate referred to in the previous sentence, and in any case not later than 180 days after the date that such Leverage Bonds are issued, any moneys remaining in such subfund of the Costs of Issuance Fund will be transferred from such subfunds to the Drinking Water Assistance Fund.

Upon the written direction and approval of the Executive Director, the Trustee will pay from the Net Bond Proceeds Fund to the DWAF Trustee the amounts set forth in such direction for deposit to the Drinking Water Assistance Fund Leverage Subaccount.

To the extent moneys and investments held in the Net Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Costs of Issuance Fund, or in any subfund or account cause any amount to be required to be paid to the United States of America under Section 148(f) of the Code, moneys in such amount shall be transferred by the Trustee, upon written direction of the Executive Director, from such Fund, subfund or account to the Rebate Fund.

The provisions in the Trust Agreement and described above with respect to the transfer of moneys in the Interest Fund to the Leverage Debt Service Fund are subject to the conditions set forth in the DWAF Trust Agreement to the use of moneys in the Interest Fund to pay Bond Service Charges on Leverage Bonds, which provides: if no other moneys in the Drinking Water Assistance Fund are available to make DWAF Loans, moneys in the Interest Fund may be applied to make DWAF Loans or to pay Bond Service Charges on Leverage Bonds; provided, however, that moneys in the Interest Fund may not be used to make DWAF Loans or to pay Bond Service Charges on Leverage Bonds unless (i) the amount on deposit in the Debt Service Fund for the State Match Bonds is then sufficient for the full payment of the Bond Service Charges payable on the State Match Bonds on the next succeeding Interest Payment Date, (ii) the Required Reserve Fund Balance, as defined in the State Match Trust Agreement, is on deposit in the Debt Service Reserve Fund for the State Match Bonds, and (iii) no default by a Governmental Agency under a DWAF Loan Agreement has occurred which, unless cured, will necessitate the transfer of moneys then on deposit in the Interest Fund (but not then needed to be transferred to the Debt Service Fund or the Debt Service Reserve Fund for the State Match Bonds) to the Debt Service Fund or the Debt Service Reserve Fund for the State Match Bonds during the ensuing 12 months.

Rebate Fund

There is created and ordered maintained as a separate deposit account in the custody of the Trustee a fund to be designated the "Leverage Series Rebate Fund" for the sole benefit of the United States of America. The Trustee shall deposit in the Rebate Fund all funds transferred from the Net Bond Proceeds Funds, the Debt Service Fund, the Debt Service Reserve Fund and the Costs of Issuance Fund pursuant to the Trust Agreement and all Revenues received from the DWAF Trustee for payment to the United States of America. Any provision of the Trust Agreement notwithstanding, amounts credited to or deposited in such Rebate Fund shall not be subject to any lien under the Trust Agreement or to the claim of any other person, including with limitation any Holder of the Trustee for so long and only for so long as compliance with Section 148(f) of the Code shall be required with respect to the Leverage Bonds. To the extent, and in the event the Rebate Fund is no longer so required, the same will, notwithstanding any provisions of the General Bond Resolution, or the Trust Agreement to the contrary, be subject to the lien under the Trust Agreement to the full extent and for all purposes thereof. Each Series Resolution shall establish a separate subfund within the Rebate Fund for each series of Leverage Bonds authorized by such Series Resolution. The Rebate Fund shall be maintained in accordance with Section 148 of the Code and the regulations applicable thereunder.

Investment of Special Funds, Net Bond Proceeds Fund and Rebate Fund

Moneys in the Debt Service Fund, the Debt Service Reserve Fund, the Net Bond Proceeds Fund, the Rebate Fund, the Cost of Issuance Fund and the DWAF Support Obligations Debt Service Fund will be invested and reinvested by the Trustee in Eligible Investments at the direction of the Executive Director, provided that the Executive Director will confirm thereafter in writing any such oral directions given to the Trustee. The Executive Director will endeavor to deliver reinvestment instructions in such manner and at such times so as to permit the reinvestment of any amounts received in respect of investments on the date of such receipt. Moneys in the Drinking Water Assistance Fund shall be invested and reinvested in accordance with the provisions of the DWAF Trust Agreement; except any Net Bond Proceeds, which shall be invested and reinvested by the DWAF Trustee in Eligible Investments at the oral or written direction of the Executive Director, provided that the Executive Director shall confirm thereafter in writing any such oral direction given to the DWAF Trustee. Investments of moneys in the Debt Service Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to make payments for which such Fund is established. Investments of moneys in the Debt Service Reserve Fund will mature or be redeemable by the holders thereof not later than five years from the date of investment, except that investments of the income realized on the investment of the Debt Service Reserve Fund will mature not later than the next May 1. Investment agreements that qualify as Eligible Investments shall be deemed to fulfill the requirements of the preceding sentence despite their having a term of longer than five years, provided that such agreements permit the withdrawal without penalty of moneys invested thereunder at all times that such moneys are required to be transferred from the Debt Service Reserve Fund to the Debt Service Fund under the Trust Agreement. Debt Service Reserve Fund investments, except investment of income realized, must be of a type, which pay interest on an annual or semi-annual basis. Investment of moneys in the Net Bond Proceeds Fund will mature or be redeemable at the times and in the amounts necessary to provide moneys to make payments of the costs of Projects funded with the proceeds of DWAF Loans to be paid from the Net Bond Proceeds Fund.

Upon the direction of the Executive Director, provided that the Executive Director shall confirm thereafter in any such direction given to the Trustee, the Trustee may sell those investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as described above. Any of those investments may be purchased from or sold to the Trustee, the Registrar, an Authenticating Agent, a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee will sell or redeem investments credited to the Special Funds, the Net Bond Proceeds Fund and the Rebate Fund, respectively, at the then existing market price to produce sufficient moneys applicable at the times required for the purposes of making payments required under the Trust Agreement, and when instructed by the Executive Director. An investment made from moneys credited to any Special Fund, the Net Bond Proceeds Fund, or the Rebate Fund or any subfund thereof or account of such subfund shall constitute part of that fund, subfund or account and each fund, subfund or account shall be credited with all proceeds of sale and income from investment of moneys credited thereto. The Trustee shall not be responsible for any depreciation in the Value of, or for any loss arising from, any such investment.

Any uninvested moneys in all Special Funds, the Net Bond Proceeds Fund, or the Rebate Fund will at all times be secured by the depository or custodian thereof by pledge of obligations of the United States of America to the extent and in the manner required by law for the security of deposits of public funds.

Deposit and Disposition of Revenues

All Revenues and all moneys that may be requisitioned from the Principal Fund, the Surplus Principal Account, the Capitalization Grant Subaccount, or the Leverage Subaccount under the DWAF Trust Agreement pursuant to the Trust Agreement shall be deposited by the Trustee as received from the DWAF Trustee so as to be available at the following times and in the following order:

First: To the Debt Service Fund, (i) all Revenues as soon as received until the balance in the Debt Service Fund equals an amount which will be equal to the sum of (a) the interest on all outstanding Leverage Bonds due on the next Interest Payment Date, (b) the principal of all outstanding Leverage Bonds due on such Interest Payment Date, and (c) the mandatory sinking fund requirement for all outstanding Leverage Bonds or due on such Interest Payment Date, and (ii) on the last day of May, the amount contained in a direction from the Authority to be used to purchase Leverage Bonds received by the Trustee pursuant to any invitation to the Holders to tender such Leverage Bonds in accordance with the provisions of the applicable Series Resolution.

Second: On the last day of each May and November following delivery of the first series of Leverage Bonds, to the unpaid fees, charges and expenses, except any fees, charges and expenses to be paid from a Costs of Issuance Fund, of the Trustee, Registrar, Paying Agents and Authenticating Agents under the Trust Agreement, and to the unpaid fees, charges and expenses of any Tender Agent, Remarketing Agent or provider of a Credit Facility under a Supplemental Agreement or Reimbursement Agreement as the case may be, upon requisition by each such party to the Authority and with the approval of the Executive Director.

Third: To the Debt Service Reserve Fund, on the second day immediately preceding each Interest Payment Date in each June and December following the delivery of the first series of Leverage Bonds, any amount required to cause the Value of cash, investments and Qualified Reserve Credit Facilities in the Debt Service Reserve Fund to equal the Required Reserve Fund Balance; provided, however, that such amount may be allocated or paid in two substantially equal installments aggregating the deficiency in the Debt Service Reserve Fund, the first installment to be made on the day immediately preceding the first day in the June or December which next succeeds the day on which the Trustee transferred moneys from the Debt Service Reserve Fund in an amount which, after such transfer, reduced the balance in the Debt Service Reserve Fund below the Required Reserve Fund Balance and created a deficiency, and the second installment to be made on the day immediately preceding the first day of the June or December, as the case may be, which next succeeds the day on which such first installment was due. If any moneys are obtained pursuant to the provisions of the Trust Agreement for the elimination of any deficiency then existing in the Debt Service Reserve Fund, then such moneys shall, immediately upon the receipt thereof, be deposited in the Debt Service Reserve Fund and, once so deposited, shall be applied in accordance with the provisions of the Trust Agreement regarding moneys in the Debt Service Reserve Fund. When the sum of cash, investments and Qualified Reserve Credit Facilities in the Debt Service Reserve Fund has reached the Required Reserve Fund Balance, the principal in excess of such Required Reserve Fund Balance, the income realized from the investment of such Required Reserve Fund Balance and any income realized from the investment of such income shall be transferred to the Debt Service Fund on the day immediately preceding the first day in June and December of each year.

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

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

Annually on the first day of November of each year, commencing November 1 in the first year in which any Leverage Bonds are subject to optional redemption, the Authority, with the Consent of the Director, shall direct the Trustee to redeem on the Interest Payment Date in December, Leverage Bonds in the amount stated in such direction provided that a direction under this paragraph shall be given only after first eliminating, or providing for the elimination of, any existing deficiencies in the specified deposit requirements and fund balances and meeting, or providing for, all then current deposit requirements of paragraphs First, Second and Third inclusive. If the Authority directs the Trustee to redeem Leverage Bonds pursuant to the provisions described in this paragraph, on the day before such redemption the Trustee shall transfer to the Debt Service Fund for use in such redemption the amount stated in such direction.

The Executive Director, with the Consent of the Director, will determine the method and timing of any redemption of the Leverage Bonds, including purchases pursuant to any tender provided in any Series Resolution, and evidence such determination by delivering a requisition of such moneys for such purpose signed by the Chairman of the Authority to the Trustee. No Leverage Bonds shall be so purchased or called unless at the time thereof the Required Reserve Fund Balance is available in the applicable Debt Service Reserve Fund, nor purchased at a price exceeding 103% of par or the then prevailing call price, whichever shall be lower.

Covenants of Authority

The Authority covenants with the Holders of the Series 2014 Leverage Refunding Bonds as follows:

(i) Payment of Bond Service Charges. The Authority will pay all Bond Service Charges, or cause them to be paid, solely from the sources provided in the Trust Agreement, on the dates, at the places and in the manner provided in the General Bond Resolution and the Trust Agreement.

(ii) Accounts and Reports. The Authority will segregate the Revenues from all other funds of the Authority, will keep proper books of record and account so as to show the complete financial results of operation of the Drinking Water Assistance Fund, and will furnish to the Trustee, the Director and to any Holder making a written request therefor an annual report certified by the Fiscal Officer of the accounts and operations relating to the Revenues and the collection thereof, together with (or thereafter as soon as available) the audit report required by Section 6121.14 of the Ohio Revised Code.

(iii) Pledged Revenues and Assignments of Pledged Revenues. Except as permitted by the provisions of the Trust Agreement permitting the depledging of Pledged Revenues described in paragraph (iv) below, the Authority will not create or suffer to be created any pledge, lien or charge on the Pledged Revenues except to secure Leverage Bonds issued pursuant to the General Bond Resolution which would constitute a pledge or lien prior to, or on a parity with, the pledge created by the Trust Agreement to secure the Leverage Bonds; nor any pledge or lien junior to such pledge except as security for (a) Payment Obligations, as provided in the applicable Trust Agreement, (b) DWAF Support Obligations, or (c) indebtedness the terms of which permit its retirement at maturity or by call or purchase for cancellation only after prior retirement in full of all outstanding Leverage Bonds.

(iv) Depledging of Pledged Revenues. Notwithstanding the covenant described in paragraph (c) above, the Authority, with the Consent of the Director, may from time to time cause the principal payments on one or more DWAF Loans or any Additional Pledged Loan Repayments to be removed from Revenues and Pledged Revenues and thereby terminate the pledge of such principal payments or Additional Pledged Loan Repayments for the benefit of Holders, if the Executive Director and the Director certify to the Trustee as follows, and accompany their certification with respect to the matters covered by clause (b) below with a supporting certification of an independent firm of certified public accountants reasonably acceptable to the Trustee:

(a) The purpose for the removal of the interest payments principal payments or Additional Pledged Loan Repayments from Revenues is to cause the payment of the principal on such DWAF Loan or DWAF Loans or such Additional Pledged Loan Repayments to secure other debt obligations, the net proceeds of which will be deposited in the Drinking Water Assistance Fund, except that the payments on any DWAF Loan or of any Additional Pledged Loan that at any time constituted a Non-qualified Loan, may be removed for any purpose, regardless of whether such DWAF Loan constitutes a Non-qualified Loan at the time of the removal, and the payments of the principal of and interest on any such DWAF Loan or Additional Pledged Loan after such removal shall be deposited by the DWAF Trustee in the Interest Fund if and to the extent that the deposit thereof in the Interest Fund is required by the State Match Trust Agreement and the DWAF Trust Agreement, and otherwise to the Surplus Principal Account in the Other Projects Fund;

(b) After the removal of the principal payments on such DWAF Loan or DWAF Loans or of such Additional Pledged Loan Repayments from Revenues, the sum of the Projected Payments to be received during each calendar year shall aggregate an amount at least equal to 105% of the amount required to be paid into the Debt Service Fund during each such calendar year to pay the Bond Service Charges due in such year, less an amount equal to any capitalized interest to be applied against the Bond Service Charges in such year, on all Leverage Bonds then outstanding; and

(c) The principal on such DWAF Loan or DWAF Loans or of such Additional Pledged Loan Repayments has been removed on a “last in, first out” basis determined by the date of the DWAF Loan or DWAF Loans or of such Additional Pledged Loans Repayments, except that the payments on any DWAF Loan that any time constituted a Non-qualified Loan, may be removed by specific designation of the Executive Director, regardless of the “last in, first out” basis of selection and regardless of whether such DWAF Loan or Additional Pledged Loan constitutes a Non-qualified Loan at the time of the removal.

Upon receipt of such certification, the Trustee shall acknowledge in writing the removal of the principal payments or Additional Pledged Loan Repayments from Revenues and Pledged Revenues, and thereupon the pledge of such principal payments for the benefit of Holders of the Leverage Bonds shall terminate, and thereafter those Holders shall have no interest in any payments on such DWAF Loan or DWAF Loans or Additional Pledged Loan Repayments or in any other loans funded from bonds secured by the payment on such DWAF Loan or DWAF Loans.

Notwithstanding anything in the next preceding paragraph to the contrary, neither the Authority nor the Trustee shall take any action to effect the removal of any principal payments or Additional Pledged Loan Repayments from Revenues and Pledged Revenues (any such removal being hereinafter referred to as a “depledging”) unless, at least 60 days prior to taking such action, the Authority shall have notified all Rating Agencies and the Trustee in writing of the Authority’s intention to effect such depledging.

(v) Inspection of Books. All books in the Authority’s possession relating to the Revenues shall be open to inspection and copying at all times during the Authority’s regular business hours by the Director or the designated representative or any accountants or other agents of the Trustee as the Trustee may designate from time to time or the Holders of 25% or more in principal amount of the Leverage Bonds then outstanding or a designated representative thereof. The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Trust Agreement, the Special Funds, the Net Bond Proceeds Fund and the Rebate Fund, which records shall at all reasonable times be subject to inspection and copying in accordance with the Trust Agreement.

(vi) Register. At reasonable times and under reasonable regulations established by the Registrar, the Register may be inspected and copied by the Trustee and by the Holders of 25% or more in principal amount of the Leverage Bonds then outstanding, or a designated representative thereof.

(vii) Continuation of Drinking Water Assistance Fund Program. The Authority will assist the Director in promptly, efficiently and diligently continuing the Drinking Water Assistance Fund Program with all practicable dispatch.

(viii) Collection of Revenues. The Authority and the Director will take all necessary actions to collect the Revenues when due from the appropriate Governmental Agencies including sending invoices or any other appropriate demand for payment of any amount in default within twenty days after such default together with notice to the defaulting Governmental Agency that if such default is not remedied within two months from the date of default the Authority, together with the Director, will file suit either in the Supreme Court of the State of Ohio, the Common Pleas Court of Franklin County, Ohio, or the Common Pleas Court of the county in which the Governmental Agency is located to collect such amount which is in default; and filing such suit within three months of the date of default if the default is not remedied, and the Authority will cause the Trust Agreement to include a comparable covenant of the Director.

(ix) Exclusion from Gross Income for Federal Income Tax Purposes of Interest on Leverage Bonds. The Authority will restrict the use, including the investment thereof, of the proceeds of Leverage Bonds and of any amounts deemed to be, or required to be treated as, proceeds of Leverage Bonds, under the applicable sections of the Code and any regulations thereunder in such manner and to such extent as may be necessary to assure that the interest payable on Leverage Bonds is and remains excludable from gross income under Section 103 of the Code for purposes of federal income taxation. In particular, and without limiting the generality of the foregoing, the Authority agrees (a) to take such steps as shall be necessary to assure that no Leverage Bonds or shall be or become “arbitrage bonds” within the meaning of Sections 103 and 148 of the Code or “private activity bonds” within the meaning of Section 141 of the Code, (b) to provide for the payment within the time required by Section 148 of the Code or any regulations applicable thereunder of any amount payable with respect to Leverage Bonds under such Section, and (c) not to invest or permit the investment of the proceeds of Leverage Bonds in such manner as to cause the Leverage Bonds to be federally guaranteed within the meaning of Section 149 of the Code. The Trust Agreement will contain covenants of the Director in the form of the covenants contained in the immediately preceding two sentences. The Chairman of the Authority and the Executive Director (together with such other officer, employees, consultants or agents for the Authority as the Chairman of the Authority shall deem appropriate), are authorized and directed, for and on behalf of the Authority, to execute and deliver, together with the Director, such certificates and to enter into such agreements, for inclusion in the transcript of proceedings for the Leverage Bonds as the Chairman of the Authority and the Director shall deem reasonably necessary to set forth the reasonable expectations of the Authority and the Director regarding the use and amount of proceeds of the Leverage Bonds and the undertakings of the Authority and the Director to assure the continued exclusion from gross income for federal income tax purposes of interest on the Leverage Bonds. The execution of any such certificate or agreement by the Chairman of the Authority shall constitute complete and sufficient evidence that the Chairman of the Authority deems such certificate or agreement to be reasonably necessary in accordance with the Trust Agreement.

(x) Renewal Bond Anticipation Notes and Leverage Bonds. The Authority will do all things necessary to effect the issuance of and delivery, at or prior to the maturity of any Bond Anticipation Notes, renewal Bond Anticipation Notes or the Leverage Bonds in anticipation of which such Bond Anticipation Notes were issued for the refunding of any portion of the principal amount thereof for which necessary Revenues have not been received, that it will do all things necessary to sell such renewal Bond Anticipation Notes or such Leverage Bonds at the time described above and will accept such interest rate as shall be lawful and necessary in order to effect such sale, and these obligations are established as duties specifically enjoined by law upon the Authority and its officers, and result from their respective offices, trusts or stations within the meaning of Section 6121.09 of the Ohio Revised Code.

(xi) DWAF Support Obligations. For the purposes stated in the Trust Agreement, the Authority has authorized and irrevocably directed the issuance of DWAF Support Obligations at the times and in the amounts required thereby. The DWAF Support Obligations shall be: (a) secured by a pledge of the Pledged Revenues subordinated to the pledge thereof securing the Leverage Bonds and Payment Obligations; and (b) payable from the DWAF Support Obligations Debt Service Fund. DWAF Support

Obligations shall bear interest at the Project Loan Rate in effect on the date of issuance thereof and shall have a stated maturity of three years from their date of issuance, but shall be subject to redemption in whole or in part and with no prior notice on any Business Day. The Director's execution of the Trust Agreement shall constitute the Director's request to the Authority to authorize, issue, sell and deliver DWAF Support Obligations at the times and in the amounts required by the Trust Agreement.

(xii) Principal Forgiveness Loans. Neither the Authority nor the Director shall (a) approve any Principal Forgiveness Loan without specifying at the time of the approval thereof what portion of the principal amount thereof is required to be repaid, or (b) execute and deliver any DWAF Loan Agreement for a Principal Forgiveness Loan unless the applicable DWAF Loan Agreement expressly specifies the amount of that portion. The Authority and the Director shall not make Principal Forgiveness Loans in any period of time for which the Administrator of the USEPA makes Federal Capitalization Grants under the Safe Drinking Water Act in an aggregate principal amount that exceeds the lesser of (x) the maximum amount that the Safe Drinking Water Act at the time permits the Authority and the Director to make Principal Forgiveness Loans during that period of time, or (y) the full amount of the Federal Capitalization Grant or Grants awarded to the Director for that period of time, net of any portion thereof not required under the Safe Drinking Water Act to be deposited in the Water Supply Revolving Loan Account of the Drinking Water Assistance Fund. The Authority and the Director shall upon request provide the Trustee with such certifications as the Trustee may reasonably require to verify compliance with the requirements of this paragraph.

Events of Default and Remedies Therefor

Each of the following occurrences or events is declared in the Trust Agreement to be an "Event of Default":

- (i) Payment of any interest on any Leverage Bond shall not be made when and as that interest shall become due and payable;
- (ii) Payment of the principal of or any premium on any Leverage Bond shall not be made when and as the principal or premium shall become due and payable whether at stated maturity, by redemption, pursuant to any mandatory sinking fund requirements or otherwise;
- (iii) The Authority or the Director shall have failed to observe or perform any other covenant, agreement or obligation on its part, respectively, to be observed or performed contained in the Trust Agreement or in the Leverage Bonds, which failure shall have continued for a period of sixty (60) days after written notice, by registered or certified mail, to the Authority and the Director specifying the failure and requiring that it be remedied, which notice may be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of all Leverage Bonds then outstanding.

Upon the occurrence and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Leverage Bonds then outstanding the Trustee will, subject to the provisions of the Trust Agreement, proceed in its own name, to protect and enforce its rights and the rights of the Holders under the Trust Agreement, by such of the following remedies as the Trustee, being advised by counsel, shall deem most effective to protect those rights:

- (i) By mandamus or other suit, action or proceeding at law or in equity enforce all the rights of the Holders of the Leverage Bonds, including compelling of the performance of all duties of the Authority or Governmental Agencies under the Leverage Bond proceedings and the enforcement of the payment of Bond Service Charges on the Leverage Bonds then outstanding;
- (ii) Institution of suit upon the Leverage Bonds ;
- (iii) Institution of legal or equitable action seeking injunction against unlawful activities or activities in violation of the rights of the Holders under the Trust Agreement.

After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee or receiver in the collection of moneys pursuant to any right given or action taken under the provisions of the applicable Trust Agreement (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Trust Agreement), all moneys (except those moneys in an account of any subfund of the Debt Service Fund which moneys represent proceeds of a Credit Facility) received by the Trustee or receiver shall be applied as follows, subject to the provisions of the Trust Agreement:

(i) First, to the payment to the Holders entitled thereto of all installments of interest then due on the Leverage Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Leverage Bonds.

(ii) Second, to the payment to the Holders entitled thereto of the unpaid principal of any of the Leverage Bonds which shall have become due (other than Leverage Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Trust Agreement), whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, in the order of their due dates, beginning with the earliest due date, with interest on those Leverage Bonds from the respective dates upon which they become due at the rates specified in those Leverage Bonds, and if the amount available is not sufficient to pay in full all Leverage Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege; and

(iii) If, at the time that any payments are to be made as described in paragraph (i) above, the Holders of any series of Leverage Bonds shall have had the principal of or interest on any such series of Leverage Bonds paid in whole or in part from proceeds of a Credit Facility, the provider of the Credit Facility shall be the Holder of the Leverage Bonds the principal of or interest on which was paid in whole or in part from such Credit Facility for purposes of the application of moneys as described above to such series of Leverage Bonds but shall be the Holder of such Series of Leverage Bonds only to the extent that such provider has paid in whole or in part the principal of or interest on such Leverage Bonds and has not been reimbursed in an amount equal to such payments of principal of or interest on such Leverage Bonds.

Whenever all Leverage Bonds and interest thereon have been paid under the provisions of the Trust Agreement and all Payment Obligations have been paid, any balance remaining in the Debt Service Fund shall be paid to the DWAF Trustee. The Holders of two-thirds or more in aggregate principal amount of Leverage Bonds then outstanding (exclusive of Leverage Bonds then owned by the Authority) shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement or for the appointment of a receiver or any other proceedings under the Trust Agreement; provided, that (i) any direction shall not be other than in accordance with the provisions of law and of the Trust Agreement, (ii) the Trustee shall be indemnified pursuant to the Trust Agreement, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction and (iv) the Trustee shall have the right to decline to follow any direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Leverage Bonds not parties to such declaration.

Rights and Remedies of Holders

A Holder shall not have any right to institute any suit, action or proceedings for the enforcement of the Trust Agreement, for the execution of any trust under the Trust Agreement, or for the appointment of a receiver or for the exercise of any other remedy under the Trust Agreement, unless:

(i) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Trust Agreement, or of which the Trustee is deemed to have notice,

(ii) the Holders of at least 25% in aggregate principal amount of Leverage Bonds then outstanding shall have made written request to the applicable Trustee and shall have afforded such Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Trust Agreement, and

(iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and power granted under the Trust Agreement or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above or for the appointment of a receiver.

No one or more Holders of the Leverage Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Trust Agreement by its or their action, or to enforce, except in the manner provided in the Trust Agreement, any remedy, right or power under the Trust Agreement. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Trust Agreement for the benefit of the Holders of all Leverage Bonds then outstanding. Nothing in a Trust Agreement shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any Leverage Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Leverage Bond.

Supplemental Trust Agreements; Modifications

Without the consent of, or notice to, any Holders, the Authority and the Trustee may enter into agreements supplemental to the Trust Agreement which shall not, in the opinion of the Authority, the Director and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(i) To cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;

(ii) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;

(iii) To subject additional revenues, receipts or moneys to the lien and pledge of the Trust Agreement;

(iv) To add to the covenants, agreements and obligations of the Authority to the Director under the Trust Agreement, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Authority or the Director in the Trust Agreement, including without limitation, the limitation of rights of redemption so that in certain instances Leverage Bonds of different series will be redeemed in some prescribed relationship to one another.

(v) To evidence any succession to the Authority or the Director and the assumption by their respective successors of the respective covenants, agreements and obligations of the Authority or the Director under the Trust Agreement and the Leverage Bonds;

(vi) To permit the issuance of Leverage Bonds with coupons attached or the exchange of Leverage Bonds, at the option of the Holder or Holders thereof, for a coupon Leverage Bonds of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the predecessor Leverage Bonds, bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon, if in either case, in the opinion of nationally recognized bond counsel selected by the Authority and Director, that issuance or exchange would not result in the interest on any of the Leverage Bonds to be

issued or outstanding being or becoming included in the gross income of the Holders for federal income tax purposes;

(vii) To facilitate and enhance the use of a book-entry system to identify the owner of an interest in an obligation issued by the Authority under the Trust Agreement, whether that obligation was formerly, or could be, evidenced by a tangible security;

(viii) To permit the transfer of Leverage Bonds from one Depository to another, or to successor Depositories;

(ix) To permit the withdrawal of Leverage Bonds issued to a Depository for holding in a book-entry system and issuance of replacement Leverage Bonds in fully registered form to others than a Depository;

(x) To permit the Trustee to comply with any obligations imposed upon it by law;

(xi) To specify further the duties and responsibilities of, and to define further the relationship among the Trustee, the Registrar, the Authenticating Agent or Paying Agent and, if any, the Tender Agent and the Remarketing Agent;

(xii) To achieve compliance of the Trust Agreement with any applicable federal securities or tax law;

(xiii) To make amendments to the provision of the Trust Agreement relating to (a) arbitrage matters under Section 148 of the Code, if, in the opinion of nationally recognized bond counsel selected by the Authority and approved by the Trustee, those amendments would not cause the interest on the Leverage Bonds outstanding to become included in the gross income of the Holders thereof for federal income tax purposes, which amendments may, among other things, change the responsibility for making the relevant calculations; (b) the investment of amounts held by the Trustee or the DWAF Trustee, and (c) transfer among the various funds, subfunds and accounts held by the Trustee and the DWAF Trustee;

(xiv) To evidence the appointment of (a) a new Trustee for the Leverage Bonds, or (b) a new Tender Agent or Remarketing Agent for any series of Leverage Bonds;

(xv) To permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders; and

(xvi) To provide for the issuance of and to secure Leverage Bonds in accordance with the Trust Agreement.

With the consent of the Holders of not less than two-thirds in aggregate principal amount of the Leverage Bonds at the time outstanding (exclusive of Leverage Bonds then owned by the Authority), evidenced as provided in the Trust Agreement, the Authority, the Director and the Trustee may execute and deliver Supplemental Agreements adding any provisions to, changing in any manner or eliminating any of the provisions of the Trust Agreement or any Supplemental Agreement or restricting in any manner the rights of the Holders. Nothing in the Trust Agreement shall permit, however, or be construed as permitting:

(i) without the consent of the Holder of each Leverage Bond so affected, (a) an extension of the maturity of the principal of or the interest on any Leverage Bond, (b) a reduction in the principal amount of any Leverage Bond or the rate of interest or premium thereon, or (c) a reduction in the amount or an extension of the time of payment of any mandatory sinking fund requirements, or

(ii) without the consent of the Holders of all Leverage Bonds then outstanding, (a) the creating of a privilege or priority of any Leverage Bond or Leverage Bonds over any other Leverage Bond

or Leverage Bonds, or (b) a reduction in the aggregate principal amount of the Leverage Bonds required for consent to a Supplemental Agreement, or

(iii) without the consent of the provider of a Credit Facility, the execution of a Supplemental Agreement (except as otherwise provided in the Trust Agreement) that materially adversely affects the rights of such provider under the Trust Agreement; provided, however, that no such consent shall be required if such provider is in default under the Credit Facility or any agreement between the Authority, the Director and such provider executed in connection with such Credit Facility.

Defeasance

If (i) the State, acting by the Authority, shall pay all of the outstanding Leverage Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the outstanding Leverage Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all Payment Obligations under the Trust Agreement, then the Trust Agreement shall cease and become null and void (except for those provisions surviving pursuant to the Trust Agreement in the event the Leverage Bonds are deemed paid and discharged), and the covenants, agreements and obligations of the Authority under the Trust Agreement shall be released, discharged and satisfied.

All or any part of the Leverage Bonds shall be deemed to have been paid or discharged within the meaning of the Trust Agreement if:

(i) The Trustee as Paying Agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(ii) The Trustee shall have received in trust for and irrevocably committed thereto Escrow Securities that are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in paragraph (i) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Trust Agreement)

for the payment of all Bond Service Charges on those Leverage Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment; provided, that if any of those Leverage Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made of the giving of that notice.

Computation of Bond Service Charges With Respect to Additional Leverage Bonds

The Authority and Director may issue additional Leverage Bonds from time to time for the purpose of providing continuing funding for the sole benefit of the Drinking Water Assistance Fund. For a discussion of the conditions for issuing additional Leverage Bonds, see "SECURITY AND SOURCE OF PAYMENT OF THE LEVERAGE BONDS – Additional Leverage Bonds."

In the event that the payment of Bond Service Charges on all or any portion of any series of Leverage Bonds are to be insured or secured by a Credit Facility, then the Supplemental Trust Agreement with respect to such Leverage Bonds may contain such provisions as are necessary and appropriate to reflect (i) the time at which and manner in which amounts paid under such Credit Facility shall be applied to the payment of Bond Service Charges, (ii) the rights to be granted to the provider of such Credit Facility for reimbursement of such amounts paid or drawn, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues prior or superior to such right or security interest granted to the Trustee under the Trust Agreement, (iii) the rights, if any to be granted to such provider to approve amendments to the Trust Agreement, to instruct or request the Trustee to exercise remedies or to take any action under the Trust Agreement on behalf of, in lieu of, or as subrogee for, the

Holders of such Leverage Bonds, or (iv) any other terms or conditions relating to such Credit Facility not contrary to or inconsistent with the Trust Agreement.

If the Holders of all or any of the Leverage Bonds of any series are, by the terms thereof, entitled or required to tender such Leverage Bonds to the Authority for purchase at one or more times prior to the stated maturity of such Leverage Bonds, the purchase price required to be paid upon such a tender shall not be deemed Bond Service Charges payable on such Leverage Bonds for the purpose of determining the fulfillment of the test set forth in the General Bond Resolution or the issuance of additional Leverage Bonds or the amount of the Required Reserve Fund Balance attributable to Balloon Bonds, or for any other purpose of the Trust Agreement, provided that the payment of the purchase price payable upon the exercise of such a tender is, and at all times is required to be, insured or secured by a Credit Facility, and provided further that the amounts paid or drawn under such Credit Facility for the payment of the principal portion of the purchase price for such tendered Leverage Bonds are not required under the Reimbursement Agreement to be reimbursed by the Authority any earlier than the principal amount so tendered would otherwise be required to be retired pursuant to the stated maturity schedule or mandatory sinking fund schedule for such Leverage Bonds. If the Authority is required to reimburse such amounts earlier than it would have been required to retire the principal amount so tendered, then such reimbursement schedule shall be deemed to be the Principal Retirement Schedule for such Leverage Bonds for the purpose of determining the fulfillment of the test set forth in the General Bond Resolution for the issuance of additional Leverage Bonds, irrespective of whether any such reimbursement obligation has yet accrued, and for all other purposes of the Trust Agreement once such a reimbursement obligation has accrued and until such reimbursement obligation has been fully discharged.

In anticipation of the issuance of any series of Leverage Bonds, the Authority may issue one or more series of Bond Anticipation Notes. All requirements of the Trust Agreement shall apply to Bond Anticipation Notes, including, without limitation the conditions precedent for the issuance of a series of Leverage Bonds. For the purposes of determining (i) whether Leverage Bonds, regardless of whether they are to be Bond Anticipation Notes, may be issued in compliance with the requirements of the General Bond Resolution when any Bond Anticipation Notes are outstanding, (ii) whether Leverage Bonds that are Bond Anticipation Notes may be issued in compliance with the requirements of the General Bond Resolution, and (iii) the amount of the Required Reserve Fund Balance attributable to Bond Anticipation Notes, the Bond Service Charges on such Bond Anticipation Notes shall be determined in accordance with the provisions of the General Bond Resolution relating to Balloon Bonds, described below.

In the event the Authority enters into an Interest Rate Hedge Agreement to simulate a fixed rate of interest of Variable Rate Bonds, the debt structure that is simulated through the combination of the Variable Rate Bonds with such Interest Rate Hedge Agreement shall apply for purposes of calculating or projecting the Bond Service Charges on such Variable Rate Bonds for any period for time during which such Interest Rate Hedge Agreement is to be effective, provided that (i) the debt structure that is simulated through the combination of the Variable Rate Bonds with such Interest Rate Hedge Agreement complies with the restrictions of the General Bond Resolution and the Trust Agreement on the terms of and security for the Leverage Bonds applied to that structure as though it consisted entirely of Leverage Bonds and as though the portion of the Payment Obligations of the Authority thereunder that represent the equivalent of interest on the notional amount of the Interest Rate Hedge Agreement payable to the counterparty to the Interest Rate Hedge Agreement constituted Bond Service Charges; (ii) the counterparty to any swap agreement and the provider of any interest rate cap is rated at least "AA," "Aa" or the equivalent by all Rating Agencies; (iii) no such Interest Rate Hedge Agreement purports to entitle the counterparty to the Interest Rate Hedge Agreement to payment by the Authority from any source other than the Pledge Revenues, but such Interest Rate Hedge Agreement may provide for securing any portion of the Payment Obligations of the Authority thereunder that represents the equivalent of interest on the notional amount of the Interest Rate Hedge Agreement (but does not represent, among other things, any termination payment that may be payable by the Authority thereunder) with a pledge of the Pledged Revenues on a parity with the pledge thereof that secures the Leverage Bonds; and (iv) the cost of obtaining such Interest Rate Hedge Agreement has been determined by the Executive Director, based on the written advice of the Financial Advisor, to be justified by the corresponding benefit to the Authority and to be commercially reasonable based on then current market conditions. In the event the Authority enters into any such Interest Rate Hedge Agreement, it shall not exercise any option to terminate such Interest Rate Hedge Agreement unless the Variable Rate Bonds to which such Interest Rate Hedge Agreement had related and which will remain outstanding after the termination thereof would fulfill the requirements of the General

Bond Resolution as they apply to Variable Rate Bonds under the General Bond Resolution, as though such Variable Rate Bonds were being issued on the date of the termination of such Interest Rate Hedge Agreement.

In the event that all or any portion of any series of Leverage Bonds have been issued as or are proposed to be issued as Variable Rate Bonds, Balloon Bonds, Capital Appreciation Bonds, or Crossover Refunded Bonds, then in order to compute the Bond Service Charges on such Leverage Bonds for the purposes of the Trust Agreement, the following rules will apply:

Variable Rate Bonds. For the purpose of determining whether Leverage Bonds, regardless of whether they are to be Variable Rate Bonds, may be issued in compliance with the requirements of the General Bond Resolution when any Variable Rate Bonds are outstanding, the rate of interest borne by any outstanding Variable Rate Bonds will be deemed to be the highest rate of interest borne by such Variable Rate Bonds during the preceding twelve months or such shorter period that such Variable Rate Bonds may have been outstanding.

For the purpose of determining whether Leverage Bonds that are to be Variable Rate Bonds may be issued in compliance with the requirements of the General Bond Resolution, and for the purpose of determining the amount of the Requirement Reserve Fund Balance attributable to such Variable Rate Bonds, the rate of interest to be borne by such Variable Rate Bonds will be deemed to be the median between the initial rate of interest actually to be borne by such Variable Rate Bonds and the maximum rate of interest such Variable Rate Bonds may bear pursuant to the Series Resolution applicable thereto.

For the purpose of determining whether any outstanding Variable Rate Bond is deemed paid and discharged pursuant to the Trust Agreement, such Variable Rate Bond will be deemed to bear interest at the actual rate of interest borne thereby for the remainder of the period that such rate will remain in effect, and for any subsequent period prior to the time at which such Variable Rate Bond is actually to be paid and discharged, such Variable Rate Bond will be deemed to bear interest at the maximum rate of interest such Variable Rate Bond may bear pursuant to the Series Resolution applicable thereto.

Balloon Bonds. In the event that all or any portion of any series of Leverage Bonds have been issued as or are proposed to be issued as Balloon Bonds, then in order to compute the Bond Service Charges on such series of Leverage Bonds for the purposes of determining (i) whether Leverage Bonds, regardless of whether they are to be Balloon Bonds, may be issued in compliance with the requirements of the General Bond Resolution when any Balloon Bonds are outstanding, (ii) whether Leverage Bonds that are Balloon Bonds may be issued in compliance with the requirements of the General Bond Resolution, and (iii) the amount of the Required Reserve Fund Balance attributable to such Balloon Bonds, the Bond Service Charges on such Leverage Bonds will be determined:

(a) if such Balloon Bonds are not Capital Appreciation Bonds, by assuming that such Balloon Bonds are to be amortized on the basis of level debt service over the Assumed Amortization Period and that such Bonds bear interest at the Assumed Interest Rate; and

(b) if such Balloon Bonds are Capital Appreciation Bonds, by assuming that the Appreciated Principal Amount of such Balloon Bonds at maturity is to be amortized on the basis of level principal payments over the Assumed Amortization Period.

Capital Appreciation Bonds. In the event that all or any portion of any series of Leverage Bonds have been issued as or are proposed to be issued as Capital Appreciation Bonds; then in order to compute the Bond Service Charges on such series of Leverage Bonds for the purposes of determining (i) whether Leverage Bonds, regardless of whether they are to be Capital Appreciation Bonds, may be issued in compliance with the requirements of the General Bond Resolution when any Capital Appreciation Bonds are outstanding, (ii) whether Leverage Bonds that are Capital Appreciation Bonds may be issued in compliance with the requirements of the General Bond Resolution, and (iii) the amount of the Required Reserve Fund Balance attributable to such Capital Appreciation Bonds, the Bond Service Charges on such Leverage Bonds shall include the applicable Appreciated Principal Amounts at maturity.

Crossover Refunded Bonds and Crossover Refunding Bonds. If any outstanding Leverage Bonds are Crossover Refunded Bonds then any principal of and premium on such Crossover Refund Bonds to be paid from a Crossover Escrow Account shall be excluded from Bond Service Charges. If any outstanding Leverage Bonds are Crossover Refunding Bonds then any interest paid or to be paid on such Crossover Refunding Bonds from any Crossover Escrow Account shall be excluded from Bond Service Charges.

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APPENDIX F

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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December __, 2014

To: Ohio Water Development Authority

Jefferies LLC
as representative for the underwriters

We have served as bond counsel to our client the Ohio Water Development Authority (the “Authority”) and not as counsel to any other person in connection with the issuance by the Authority of its \$37,730,000 State of Ohio Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2014 (the “Bonds”), dated the date of this letter and issued for the purpose of (i) refunding a portion of the Authority’s outstanding (a) Drinking Water Assistance Fund Revenue Bonds, Leverage Series 2005B, and (b) Drinking Water Assistance Fund Refunding Revenue Bonds, Leverage Series 2008, and (ii) paying issuance expenses relating to the issuance of the Bonds. The Bonds are issued under the Trust Agreement, dated as of May 1, 2002 (the “Original Trust Agreement”), as may be amended and supplemented from time to time, including by the Eleventh Supplemental Trust Agreement, dated as of December 1, 2014 (the “Eleventh Supplemental Agreement” and, together with the “Original Trust Agreement,” the “Trust Agreement”), each among the Authority, the Director of Environmental Protection of the State of Ohio (the “Director”), and U.S. Bank National Association (the “Trustee”). In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, an executed counterpart of each of the Original Trust Agreement and the Eleventh Supplemental Agreement, a certified copy of the DWAF General Bond Resolution, the Series 2014 Resolution, the Certificate of Award relating to the sale of the Bonds, and a specimen copy of the executed Bond of the first maturity. Capitalized words and terms used, but not otherwise defined, herein are used as defined in the Trust Agreement.

In our capacity as bond counsel, we have also examined (i) the executed loan agreements (the “Loan Agreements”) among the Authority, the Director, and the political subdivisions of the State of Ohio (the “Governmental Agencies”) relating to the projects identified in APPENDIX B to the Official Statement, dated November 13, 2014, relating to the Bonds, (ii) the proceedings of the Authority and the Governmental Agencies authorizing the execution of the Loan Agreements, and (iii) the law and such other certified proceedings and papers as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

- i. The Bonds and the Trust Agreement constitute legal, valid, and binding obligations of the Authority and, with respect to the Trust Agreement, of the Director.
- ii. The Loan Agreements have been duly executed by the Authority, the Director, and the respective Governmental Agencies, and constitute valid and legally binding contractual obligations of such parties, but we express no opinion regarding the Sponsor Loan Programs.
- iii. The Bonds constitute special obligations of the Authority. Bond Service Charges on the Bonds shall be payable solely from Pledged Revenues. The Bonds do not constitute a debt, or a pledge of the faith and credit, of the Authority, the State of Ohio (“State”) or any political subdivision thereof. Holders of the Bonds have no right to have taxes levied by the General Assembly of the State or the taxing authority of any subdivision of the State for the payment of Bond Service Charges on the Bonds.
- iv. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from all Ohio state and local taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Authority.

In rendering those opinions with respect to the treatment of the interest on the Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Authority. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

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APPENDIX G
BOOK-ENTRY SYSTEM

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The Depository Trust Company (“DTC”). New York, New York, will act as securities depository for the Series 2014 Leverage Refunding Bonds. The Series 2014 Leverage Refunding Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate for each maturity of the Series 2014 Leverage Refunding Bonds, in the aggregate principal amount of such maturity, will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of the U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposit securities through electronic, computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is owned by a number of Direct Participants of DTC and Members of the Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC) and by The New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.org or www.dtcc.com.

Purchases of the Series 2014 Leverage Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Leverage Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each of the Series 2014 Leverage Refunding Bonds (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2014 Leverage Refunding Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014 Leverage Refunding Bonds, except in the event that use of the Book Entry Only System for the Series 2014 Leverage Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Leverage Refunding Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by DTC. The deposit of the Series 2014 Leverage Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Leverage Refunding Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Leverage Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014 Leverage Refunding Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Leverage Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to security documents. For example, Beneficial Owners of the Series 2014 Leverage Refunding Bonds may wish to ascertain that the nominee holding the Series 2014 Leverage Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in

the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2014 Leverage Refunding Bonds are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2014 Leverage Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Leverage Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Leverage Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name, and will be the responsibility of such Participant and not of DTC or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Series 2014 Leverage Refunding Bonds, at any time by giving reasonable notice to the Authority or the Trustee. Also, the Authority may determine that continuation of a securities depository/book-entry relationship is not in the best interests of the Holders of the Series 2014 Leverage Refunding Bonds. Under such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be and will be printed and delivered. See "**Revision of Book-Entry System; Replacement Series 2014 Leverage Refunding Bonds**" below.

Disclaimer by State, Authority, Director, Trustee, Financial Advisor and Underwriters

The State, the Authority, the Director not the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisors the manner of transferring or pledging their book-entry interests.

The State, the Authority, the Director not the Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The State, the Authority, the Director, the Trustee, the Authority's Financial Advisor and the Underwriters cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Bonds made to DTC as the registered owner, or redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Official Statement.

For all purposes under the Bond proceedings (except the Continuing Disclosure Agreement under which others as well as DTC may be considered an owner or holder of the Bonds, see **Continuing Disclosure**), DTC will be and will be considered by the City and the Bond Registrar to be the owner or holder of the Bonds.

Beneficial Owners will not receive or have the right to receive physical delivery of Bonds, and, except to the extent they may have rights as Beneficial Owners or holders under the Continuing Disclosure Agreement, will not be or be considered by the State, the Authority, the Director not the Trustee to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

Reference herein to “DTC” includes when applicable any successor securities depository and the nominee of the depository.

Revision of Book Entry Only Transfer System; Replacement of Series 2014 Leverage Refunding Bonds

The Trust Agreement authorizing the issuance of the Series 2014 Leverage Refunding Bonds will provide for issuance of fully registered replacement Series 2014 Leverage Refunding Bonds (“Replacement Bonds”) directly to persons other than DTC or its nominee only in the event that DTC (or a successor Depository) determines not to continue to act as securities depository for the Series 2014 Leverage Refunding Bonds or the Authority determines that continuation of the book entry only system with DTC is not in the best interests of the Authority or the best interests of the Beneficial Owners.

Upon a discontinuance of the book entry only system with DTC, the Authority may in its discretion attempt to have established a securities depository/book entry only relationship with another qualified securities depository. If the Authority is unable to do so, or desires not to do so, and after the Trustee has made provisions for notification of the Beneficial Owners of the Series 2014 Leverage Refunding Bonds by appropriate notice to DTC, the Authority and the Trustee shall authenticate and deliver Replacement Bonds, in the denomination of \$5,000 or any integral multiple of \$5,000 to or at the direction of, and, if the event is not the result of Authority action or inaction.

Principal of, premium, if any, and interest on Replacement Bonds will be payable when due without deduction for the services of the Paying Agent. Principal of any Replacement Bonds will be payable to the registered owner thereof upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest thereon will be payable by the Trustee by check, draft or wire transfer, mailed to the registered owner of record on the registration books maintained by the Trustee (the “Register”) as of the 15th day of the calendar month preceding the Interest Payment Date.

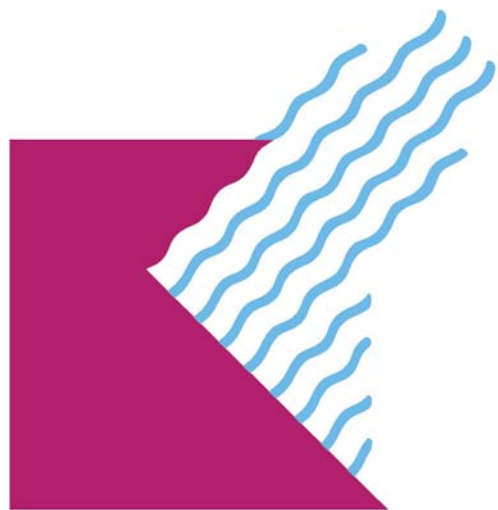
Replacement Bonds will be exchangeable for Replacement Bonds of authorized denominations, and transferable, at the designated office of the Registrar, without charge (except taxes or other governmental fees). Exchange or transfer of then redeemable Replacement Bonds is not required to be made (i) between the 15th day preceding the mailing of notice of Replacement Bonds to be redeemed and the date of that mailing, (ii) during the period from the day following the Regular Record Date through the day preceding the ensuing Interest Payment Date, or (iii) of a particular Replacement Bond selected for redemption (in whole or in part) until redemption.

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