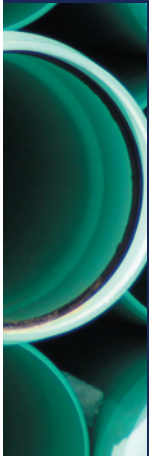




Comprehensive Annual Financial Report  
For the year ended December 31, 2006



**NORTHWESTERN WATER & SEWER DISTRICT**  
A Political Subdivision of the State of Ohio





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Northwestern Water & Sewer District  
12560 Middleton Pike  
P.O. Box 348  
Bowling Green, Ohio 43402-0348

We have reviewed the *Independent Auditors' Report* of the Northwestern Water & Sewer District, Wood County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

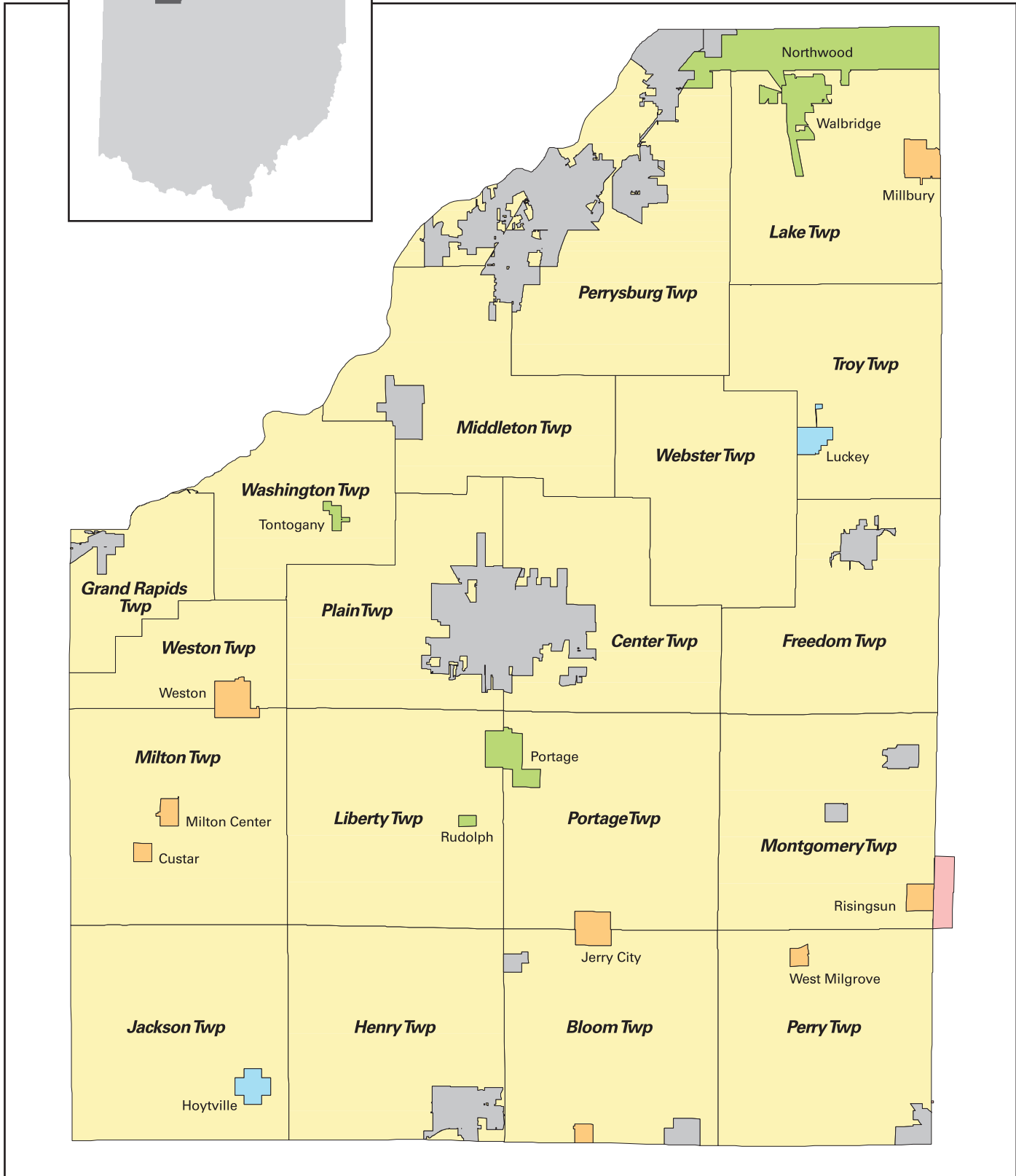
Mary Taylor, CPA  
Auditor of State

August 29, 2007

**This Page is Intentionally Left Blank.**

# Northwestern Water & Sewer District Members

- Township member
- Municipal member
- Member by special resolution
- Non-member, but District owns system
- Non-member, with District contract
- Non-member / no service



**This Page is Intentionally Left Blank.**

NORTHWESTERN WATER AND SEWER DISTRICT  
A POLITICAL SUBDIVISION OF THE  
STATE OF OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2006

SUBMITTED BY:

Finance Department

NORTHWESTERN  
WATER AND SEWER  
DISTRICT





**NORTHWESTERN WATER & SEWER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS**

**I. INTRODUCTION SECTION (UNAUDITED)**

Letter of Transmittal .....	i-viii
2005 Certificate of Achievement for Excellence in Financial Reporting.....	ix
District Officials .....	x
Organization Chart .....	xi

**II. FINANCIAL SECTION**

Independent Auditors' Report .....	F1-F2
Management's Discussion and Analysis (Unaudited).....	F3-F8
Basic Financial Statements:	
Statements of Net Assets .....	F9
Statements of Revenues, Expenses, and Changes in Net Assets .....	F10
Statements of Cash Flows .....	F11-F12
Notes to Financial Statements.....	F13-F31
Other Supplementary Information:	
Schedule of Revenues, Expenses, and Changes in Net Assets	
-Budget to Actual (Unaudited).....	F32
Schedules of Net Assets Information by Division .....	F33-F34
Schedules of Revenues, Expenses, and	
Changes in Net Assets Information by Division .....	F35-F36
Schedules of Cash Flows Information by Division .....	F37-F40

**III. STATISTICAL SECTION (UNAUDITED)**

Net Assets – Last Ten Years .....	S1
Changes in Net Assets – Last Ten Years.....	S2
Sewer User Rates – Last Ten Years .....	S3
Water User Rates – Last Ten Years .....	S4
Historical Sewer Customers and Water Consumption - Sewer .....	S5
Historical Sewer Customers and Water Consumption - Water .....	S6
Ten Largest Sewer Customers.....	S7
Ten Largest Water Customers .....	S8
Computation of Revenue Debt Coverage Ratios – Last Ten Years .....	S9
Computation of Special Assessment and Related Debt Coverage Ratios –	
Last Ten Years .....	S10
Sewer Debt by Total Debt Service .....	S11
Water Debt by Total Debt Service .....	S12
Sewer Operating Revenues by Source – Last Ten Years .....	S13
Water Operating Revenues by Source – Last Ten Years .....	S14
Sewer Operating Expense by Source – Last Ten Years .....	S15
Water Operating Expense by Source – Last Ten Years .....	S16
Sewer Non-Operating Revenues by Source – Last Ten Years .....	S17
Water Non-Operating Revenues by Source – Last Ten Years .....	S18
CONTINUING DISCLOSURE REQUIREMENTS:	
Wood County Population in Incorporated Areas .....	S19
Nonagricultural Employment.....	S20
Ten Largest Employers in Wood County .....	S21
Employment Statistics .....	S22
Income and Housing Data.....	S23
Banking .....	S24
Demographic Statistics.....	S25

**NOTHWESTERN WATER AND SEWER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS, CONTINUED**

**IV. OTHER SECTION**

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.....	O1 – O2
--	---------



April 5, 2007

To the Board of Trustees and Citizens Served by  
The Northwestern Water and Sewer District:

The Comprehensive Annual Report of the Northwestern Water and Sewer District (the "District") for the year ended December 31, 2006, is hereby submitted. This report conforms to Generally Accepted Accounting Principles (GAAP) including Governmental Accounting Standards Board Statements 34 through 40 as applicable. This report consists of management's representations concerning finances of the District. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

To provide a reasonable basis for making these representations, management of the District has established an internal control framework that is designed both to protect District assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects, to the best of our knowledge and belief. All disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the year ended December 31, 2005, a list of the District's principal officials and a table of organization. The financial section includes the statements and related notes, required supplementary information and related notes. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis, that is helpful in performing trend analysis.

The District is required to undergo an annual audit in conformity with government auditing standards. Information related to this audit, includes the independent auditor's report on internal control over financial reporting and on compliance and other matters.

As part of the District's audit, described earlier, tests were made by the District's external auditors of its internal control structure and compliance with applicable laws and regulations. Although this testing is not sufficient to support a separate opinion on the

As part of the District's audit, described earlier, tests were made by the District's external auditors of its internal control structure and compliance with applicable laws and regulations. Although this testing is not sufficient to support a separate opinion on the District's internal control system or its overall compliance with laws, the audit for the year ended December 31, 2006 disclosed no material internal control weaknesses or material violations of laws and regulations.



GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to compliment MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Included in the accompanying financial statements are all accounts of the Northwestern Water and Sewer District. For accounting purposes, the District is accounted for as a single enterprise fund. The reporting is described in Note 1 to the financial statements.

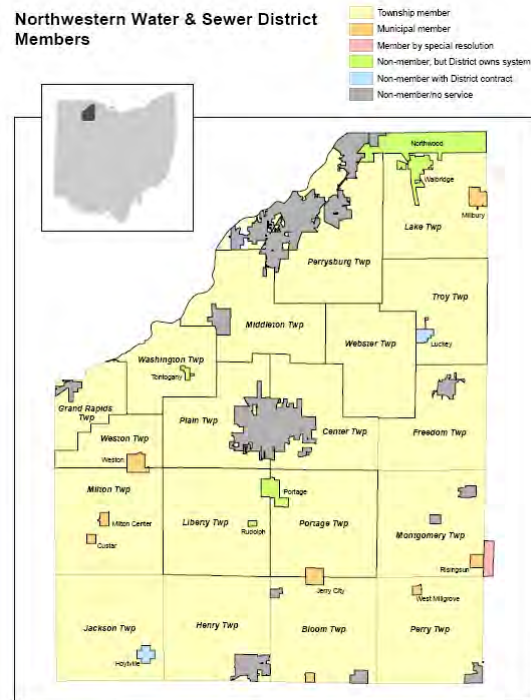
Included at the end of the Statistical Section is a section titled "Continuing Disclosure Requirements". The schedules in this section are in addition to those required by the Government Finance Officers Association and are presented in compliance with the terms of the Continuing Disclosure Agreement in conjunction with the issuance of the Water Resource Improvement and Refunding Revenue Bonds, Series 2002.

## **PROFILE OF THE DISTRICT**

The District is a regional water and sewer district established pursuant to Chapter 6119 of the Ohio Revised Code. The District is operated pursuant to the authority of the Ohio Revised Code which specifically authorizes the formation of such districts.

In 1991, the County of Wood, Ohio, together with five municipalities and 14 townships, petitioned the Court of Common Pleas of Wood County for the establishment of a regional water and sewer district under Chapter 6119, Ohio Revised Code, to assume ownership and operation of the water and sewer facilities owned and operated by the County. The Court created the District on May 18, 1992 and approved a formal plan of operation on September 29, 1993. The District is currently comprised of 8 municipalities and 20 townships.

The District has authority to levy taxes to pay current operating expenses or debt service charges only with a vote of a majority of its electors. The District may submit the question of issuing bonds of the District and levying a tax outside the ten-mill limitation imposed by Article XII, Section 2 of the Ohio Constitution to pay the principal and interest on such bonds to the electors within the territorial limits of the District. The District may also submit to its electors the question of levying a tax in excess of the ten-mill limitation to pay current expenses of the District or to pay any portion of the cost of water resource projects. Such levy may not exceed ten years. The District currently has no plans to submit a bond issue or tax levy to its electors.



The District may assess real estate for the cost of improvements to the water or sewer system and may issue bonds or notes in anticipation of the collection of such assessments. The District may also issue revenue resource bonds and notes the principal of and interest on which is payable from revenues of the District generated from charges for water and/or sewer services.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Wood County is centrally located in the Toledo Trade Area, and is classified as belonging to the Toledo Metropolitan Statistical Area (MSA). The 2005 population of the MSA is estimated to be approximately 654,000, of which the County accounted for approximately 124,200 in 2006. The County is the second largest in the Toledo MSA.

The Wood County economy is composed of three major activities: agriculture, manufacturing and education. Agriculture has always been an important part of Wood County, both economically and socially.

Manufacturing is another critical component of the Wood County economy. Most manufacturing industries in the county are involved in either the production of food stuffs, automotive parts and sub-assemblies or machinery. However, the County has seen a diversification of its industrial tax base over the last several years. Based on 2004 data compiled by the Ohio Office of Workforce Development, manufacturing accounted for 33% of the Wood County employment base. This was followed by service providing at 32% and trade, transportation and utilities at 12%. The average per year salary by manufacturing employees in the county in 2004 was \$49,051.

Higher education is also of major significance to the Wood County economy. Bowling Green State University, located in the City of Bowling Green, serves as the center of this activity. For the 2005-06 school year, the university had 18,400 students, 895 full-time and 334 part-time faculty members as well as 1,911 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2006 Owens had a student enrollment of 20,406 in over 150 program areas by a faculty of over 1,300 full and part-time. Students, faculty and staff members of both higher education facilities contribute heavily to the economy of Wood County.

During 2006, 379 building permits were issued for residential construction in Wood County.

## **Accounting Systems**

**Accounting Controls** The District is an enterprise fund where its accounting records are recorded on an accrual basis. Revenues are recognized when measurable and earned, expenses are recognized when incurred. The basis of accounting utilized by the District is fully described in Note 1 to the basic financial statements.

**Internal Controls** In developing the District's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

**Budgetary Controls** General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Executive Director is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply.

## **Cash Management**

The District currently only invests in the following major types of instruments: obligations issued or backed by the United States Government; the STAROhio Fund; or liquid asset management accounts. A portion of the District's investment portfolio is comprised of securities with longer maturity terms (three to five years) to more accurately match the time when the funds will be utilized and to take advantage of higher interest rates. All investments comply with the requirements of the Ohio Revised Code. Note 2 to the audited financial statements includes additional information on cash and investments.

## **Risk Management**

Medical, dental, vision and drug card insurance is purchased from Wood County Commissioners in Ohio through a cooperative arrangement. The District pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. The District maintains other insurance coverage for liability, property and crime. There have been no significant reductions in insurance coverage from 2005, and no insurance settlement has exceeded insurance coverage during the last three years. Note 9 to the audited financial statements discloses information about risk management.



## **Debt Administration**

At year-end, the District had debt outstanding of \$28,197,372. Outstanding bonds of the District are rated A3 by Moody's and A+ by Standard & Poor's rating agencies. The District has a MIG-1 rating from Moody's on short-term borrowing. Notes 4 and 5 to the audited financial statements include schedules of debt outstanding and future debt service requirements.

## **DISTRICT MAJOR INITIATIVES**

### **2006 Award**

For an exemplary safety record, the District received the Ohio Water Environment Association Safety Award.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwestern Water and Sewer District for its Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2005. This was the third year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Village of Weston**

In February 2006, the Village of Weston joined the District. The District assumed the operation and ownership of a wastewater treatment plant, wastewater collection system and a water distribution system serving approximately 500 customers. During the first eleven months of operation, the District made a number of improvements to the wastewater treatment plant including a new roof, elimination of chlorine in favor of ultraviolet light for treatment. A major water loss was found and corrected resulting in a savings of approximately \$4,000 per month in purchased water cost.



### **Village of Bairdstown**

In July 2006, the Village of Bairdstown joined the District which resulted in the District assuming ownership and operations of a water distribution system serving approximately 50 customers.

### **Tontogany Waterline**

The District worked cooperatively with the Village of Tontogany in installing a new transmission line from the Bowling Green water treatment plant to the Village. In return for the District paying for a portion of the construction cost the line, the Village agreed the District could serve customers within a defined area of the Village's service territory.

### **Job Readiness Site Grant**

The District was notified at the end of 2006 that it had been awarded a Job Readiness Site grant by the Ohio Department of Development in the amount of \$2.7 million to bring water and sewer service to a 400 acre potential job site in Troy Township. The total cost of the project will be approximately \$8 million and will provide water and sewer access to others along the proposed route. The purpose of the grant program is to have an inventory of job sites that can be marketed to potential organizations that will bring jobs to the State of Ohio. The grant must be used by December 2009.

## INDEPENDENT AUDIT

Included in this report is an unqualified opinion rendered on the District's financial statements for the year ended December 31, 2006, by Gilmore, Jasion and Mahler LTD., a firm of licensed independent certified public accounts. As part of the preparation of the comprehensive annual financial report, the District subjects its financial statements to an annual audit. The annual audit serves to strengthen the District's accounting, internal and budgetary controls.

## ACKNOWLEDGEMENTS

The preparation of this comprehensive annual financial report would not have been possible without the efficient and dedicated services of all of the district departments and their staff. A special acknowledgement goes to Valerie Megyesi, Accounting Manager, for her dedication to details in preparing the District's financial information.

Respectfully submitted.

  
\_\_\_\_\_  
Jerry Greiner  
Executive Director

  
\_\_\_\_\_  
Dave E. Cook  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northwestern Water & Sewer  
District, Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**DISTRICT OFFICIALS**

DECEMBER 31, 2006

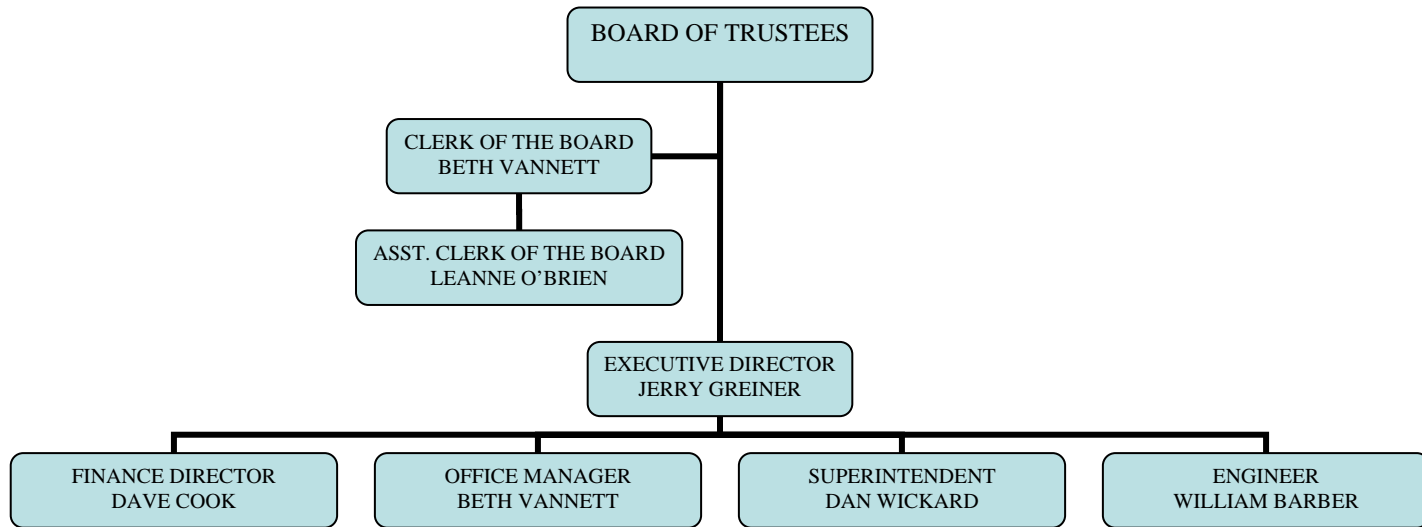
**Board of Trustees**

<b><u>Office</u></b>	<b><u>Name</u></b>	<b><u>Date Originally Installed</u></b>	<b><u>Term Expires</u></b>
President.....	John Ault.....	7/21/92	12/31/06
Vice President.....	Alex Molner.....	1/16/97	12/31/06
Secretary/Treasurer.....	John M. Current.....	7/21/92	12/31/08
Member.....	Lyle Schulte.....	1/01/99	12/31/10
Member.....	Paul Brim.....	1/1/94	12/31/06
Member.....	John A. Cheney.....	7/21/92	12/31/10
Member.....	Terry D. Murray.....	11/18/04	12/31/08
Member.....	Phillip Shaffer .....	9/14/95	12/31/10
Member.....	Vacant.....		

**Senior Staff**

Jerry R. Greiner.....	Executive Director
William J. Barber.....	Engineer
Dave E. Cook.....	Finance Director
Dan E. Wickard.....	Superintendent
Beth A. Vannett.....	Office Manager & Board Clerk

ORGANIZATIONAL CHART  
 NORTHWESTERN WATER AND SEWER DISTRICT  
 DECEMBER 31, 2006



Number of Employees by Department	
Executive	1
Engineering	9
Operations	26
Finance	2
Office	7
Total Employees December 31, 2006	45

# GILMORE, JASION & MAHLER, LTD

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Northwestern Water & Sewer District  
P.O. Box 348  
12560 Middleton Pike  
Bowling Green, Ohio 43402

We have audited the accompanying statements of net assets of the Northwestern Water & Sewer District (The "District") as of December 31, 2006 and 2005 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Charles F. Heid, CPA

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 21, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis and budgetary comparison information on pages F3 – F8 and F32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the District taken as a whole. The additional information on pages F33 – F40, which is presented for purposes of additional analysis, is not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the financial statements and in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and accordingly we express no opinion on them.

*Gilmore, Jason & Mahler, LTD*

June 21, 2007

## NORTHWESTERN WATER & SEWER DISTRICT

### Management's Discussion and Analysis (Unaudited)

The following discussion provides a summary overview of the financial activities of the Northwestern Water & Sewer District ("District") for the year ended December 31, 2006. This information should be read in conjunction with the letter of transmittal and basic financial statements included in this report.

#### Financial Highlights

- Assets exceeded liabilities by \$89,642,856 as of December 31, 2006.
- Net assets increased by \$2,769,414 in 2006.
- Of the increase in net assets, \$4,000,012 was attributable to investment in capital assets, net of related debt. The remaining change of a net decrease of \$1,230,598 was attributable to \$2,143,683 decrease in unrestricted net assets and \$913,085 increase in restricted assets.
- Debt increased \$1,156,328. Retirements of debt principal were \$1,707,714 and new issues of debt principal were \$2,864,042. \$1,595,916 of the new debt was added as part of the Village of Weston joining the District and the District assuming ownership and related debt outstanding of the water and sewer system.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes to the financial statements. These Statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Assets present the District's financial position and report the resources owned by the District (assets), obligations owed by the District (liabilities) and District net assets (the difference between assets and liabilities). The Statements of Revenues, Expenses and Changes in Net Assets present a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statements of Cash Flows provide information about the District's cash receipts and disbursements during the year. They summarize net changes in cash resulting from operating, investing and financing activities. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

#### Financial Analysis of the District's Financial Position and Results of Operations

The tables below provide a summary of the District's financial position and operations. Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the District's net assets, \$71.0 million (79%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Certain amounts may vary slightly due to differences caused by rounding to thousands.



## NORTHWESTERN WATER & SEWER DISTRICT

### Management's Discussion and Analysis (Unaudited)

#### Condensed Statements of Net Assets December 31, (In Thousands of Dollars)

	2006	2005	2004	Change			
				2006/2005		2005/2004	
	Amt	%	Amt	%	Amt	%	
<u>Assets</u>							
Current assets	\$13,949	\$16,269	\$17,010	\$-2,320	-14.3%	\$ -741	-4.4%
Capital assets, net	95,334	91,092	85,516	4,242	4.7	5,576	6.5
Other non-current assets	10,461	8,728	9,342	1,733	19.9	-614	-6.6
<b>Total assets</b>	<b>119,744</b>	<b>116,089</b>	<b>111,868</b>	<b>3,655</b>	<b>3.1</b>	<b>4,221</b>	<b>3.8</b>
<u>Liabilities</u>							
Current liabilities	3,481	3,877	3,099	-396	-10.2	778	25.1
Long-term debt	26,621	25,338	25,155	1,283	5.1	183	0.7
<b>Total liabilities</b>	<b>30,102</b>	<b>29,215</b>	<b>28,254</b>	<b>887</b>	<b>3.0</b>	<b>961</b>	<b>3.4</b>
<u>Net assets</u>							
Invested in capital assets	70,996	66,996	61,550	4,000	6.0	5,446	8.8
Restricted	3,809	2,896	2,500	913	31.5	396	15.8
Unrestricted	14,838	16,981	19,564	-2,143	-12.6	-2,583	-13.2
<b>Total net assets</b>	<b>\$89,643</b>	<b>\$86,873</b>	<b>\$83,614</b>	<b>\$2,770</b>	<b>3.2%</b>	<b>\$3,259</b>	<b>3.9%</b>

Net assets increased by \$2,770 thousands during 2006 and by \$3,259 thousands during 2005. The majority of this increase was due to the following:

- Capital assets increased by \$7,831,270 offset by related depreciation increase of \$3,158,235 in 2006 and \$6,426,518 offset by related depreciation increased by \$3,118,627 in 2005 due mainly to construction of water and sewer lines and the acquisition of the Village of Weston water and sewer system.
- Long-term debt, including current portion, increased by \$1,156,328 in 2006 and long-term debt increased by \$509,194 in 2005, related to borrowing for construction projects and the Weston system.

## NORTHWESTERN WATER & SEWER DISTRICT

### Management's Discussion and Analysis (Unaudited)

#### Condensed Statements of Revenues, Expenses and Changes in Net Assets For the years ended December 31, (In Thousands of Dollars)

	2006	2005	2004	Change			
				2006/2005		2005/2004	
				Amt	%	Amt	%
Utility Revenue	\$5,932	\$5,106	\$4,655	\$826	16.2%	\$451	9.7%
Fees and Permit	286	400	470	-114	-28.5	-70	-14.9
Contract Services	185	184	172	1	0.5	12	7.0
Other	121	121	98	0	0.0	23	23.5
Non-Operating Revenue	<u>1,131</u>	<u>892</u>	<u>1,018</u>	<u>239</u>	<u>26.8</u>	<u>-124</u>	<u>-12.3</u>
<b>Total Revenues</b>	<u>7,655</u>	<u>6,703</u>	<u>6,413</u>	<u>952</u>	<u>14.2</u>	<u>290</u>	<u>4.5</u>
Depreciation & Amortization	3,401	3,178	2,983	223	7.0	195	6.5
Other Operating Expense	5,358	4,169	3,966	1,189	28.5	203	5.1
Non-Operating Expense	<u>1,314</u>	<u>1,226</u>	<u>1,115</u>	<u>88</u>	<u>7.2</u>	<u>111</u>	<u>10.0</u>
<b>Total Expenses</b>	<u>10,073</u>	<u>8,573</u>	<u>8,064</u>	<u>1,500</u>	<u>17.5</u>	<u>509</u>	<u>6.3</u>
Loss Before Aid In Construction	-2,418	-1,870	-1,651	-548	-29.3	-219	-13.3
Aid In Construction	<u>5,187</u>	<u>5,130</u>	<u>6,048</u>	<u>57</u>	<u>1.1</u>	<u>-918</u>	<u>-15.2</u>
<b>Changes in net assets</b>	<u>\$2,769</u>	<u>\$3,260</u>	<u>\$4,397</u>	<u>\$-491</u>	<u>-15.1%</u>	<u>\$-1,137</u>	<u>-25.6%</u>

Utility revenues increased in both 2006 and 2005 due to a combination of increased customer base, including the joining of the District by the villages of Weston and Bairdstown, and an increase in rates.

Non-operating revenues increased in 2006 by \$239,000 and decreased in 2005 reflecting the affect of increasing interest rates on the District's investments.

Other Operating Expense increased by \$1,189,000 caused by an increase in operating costs related to Weston joining the District, a decision by the Board to bring salaries in line with the mid-point of the American Water Works Association annual salary survey for similar utilities over a 3 year period. The District also focused more on preventative maintenance of the system. The District also added 3 new operational staff and 1 administrative Assistant in 2006.

## NORTHWESTERN WATER & SEWER DISTRICT

### Management's Discussion and Analysis (Unaudited)

#### Capital Assets

At the end of 2006, the District had \$95,334,233 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$4.2 million, or 4.6% over 2005.

#### Capital Assets at December 31, (Net of Depreciation, in Thousands)

	2006	2005	Change	
			Amount	%
Land	\$ 411	\$ 485	\$ -74	-15.3%
Construction in Progress	2,549	2,906	-357	-12.3
Water and Sewer Lines	79,947	77,065	2,882	3.7
Buildings, structures and improvements	10,731	9,334	1,397	15.0
Equipment	1,696	1,302	394	30.30
Totals	<u>\$95,334</u>	<u>\$91,093</u>	<u>\$4,241</u>	<u>4.7%</u>

As indicated by figures in the table above, the majority of capital assets added during the current fiscal year were related to construction in progress and water and sewer lines.

Additional information on the District's capital assets can be found in Note 3.

## NORTHWESTERN WATER & SEWER DISTRICT

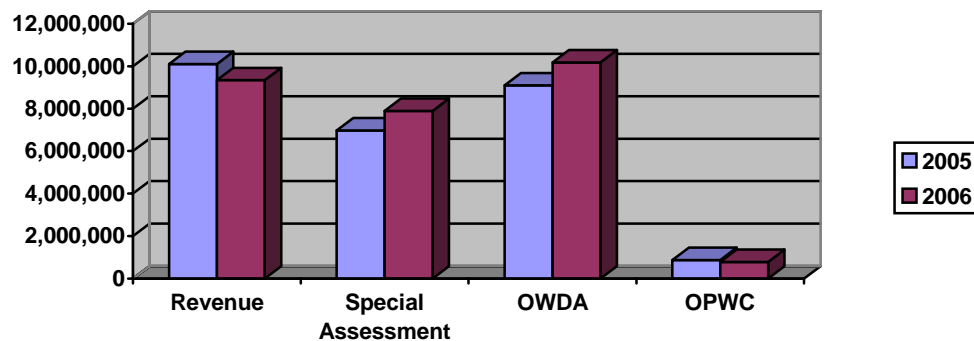
### Management's Discussion and Analysis (Unaudited)

#### Debt Administration

At December 31, 2006 the District had total debt outstanding of \$28,197,372 compared to \$27,041,044 at December 31, 2005. This represents an increase of \$1,156,328. During 2006 the District issued \$2,864,042 of new debt and repaid \$1,707,714 in principal on outstanding debt. The District has ratings on its long-term debt of A3 from Moody's Investor Service and A+ from Standard and Poor's. This information should be read in conjunction with Notes 4 and 5 to the audited financial statements for more detailed information on long-term debt.

#### Outstanding Debt at December 31, (In Thousands)

	2006	2005
Revenue Bonds and Notes	\$ 9,340,431	\$10,106,379
Special Assessment Bonds and Notes	7,890,390	6,973,537
Ohio Water Development Authority Loans	10,179,633	9,089,566
Ohio Public Works Commission Loans	786,918	871,562
Total Debt	\$28,197,372	\$27,041,044



## **NORTHWESTERN WATER & SEWER DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

#### **Economic Factors**

Based on a previous rate study, sewer rates were increased by 5% for 2006. Water rates were increased by 4%, effective January 1, 2006. Utility revenues for 2006 increased \$826,260 or 16.2% over 2005. In addition to the water rate increases were water volume increase in 2006 of 8.3% and sewer volume increase of 6.2% respectively. During 2006, the District learned that a sewer customer had been billed incorrectly for the previous two years by the City of Toledo on behalf of the District. This resulted in the District reducing sewer revenues by \$226,524 in 2006. Sewer rates are scheduled to increase 7% for 2007 and water rates will increase by 7% effective January 1, 2007. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every two years. The District is subject to the general slowdown in housing construction seen across the country.

In 2007, the District expects new residential construction to be down substantially from previous years. New commercial construction appears to be upbeat, especially in Levis Park and along the Rt. 20 corridor in the Perrysburg area. The District was awarded a \$2.6 million grant by the Ohio Department of Development to extend water and sewer service to a commercial/industrial site in Troy Township, which is in the northeast corner of Wood County. A 1,000 acre site would be served through this program. No user is under contract, but the District has three years to expend services as part of the State of Ohio's industrial; site listing program.

#### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions and requests for additional information regarding this report should be addresses to the Finance Director, Northwestern Water and Sewer District, P.O. Box 348, Bowling Green, Ohio 43402, or by telephone at (419) 354-9090.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents-unrestricted (Note 2)	\$ 563,432	\$ 2,121,553
Cash and cash equivalents-restricted (Note 2)	1,934,374	971,427
Investments-unrestricted (Note 2)	5,971,447	7,290,809
Investments-restricted (Note 2)	1,874,471	1,924,333
Accounts receivable - trade	1,919,000	1,959,625
Current portion of special assessments	1,346,896	1,179,584
Inventory	285,842	319,043
Prepaid expenses	53,151	53,754
Total current assets	13,948,613	15,820,128
<b>Noncurrent assets</b>		
Capital assets (Note 3, 4 and 5)		
Sewer and water lines	128,683,644	123,269,913
Buildings, pumps and lift stations	10,726,356	8,906,071
Machinery and equipment	2,495,589	2,336,046
Vehicles	1,376,771	1,089,823
Furniture and fixtures	224,607	196,084
Computer equipment	535,707	413,467
Improvements - Oregon waste water treatment plant	5,461,203	5,461,203
Total depreciable capital assets	149,503,877	141,672,607
Accumulated depreciation and amortization	(57,129,630)	(53,971,395)
Net depreciable capital assets	92,374,247	87,701,212
Land	411,357	484,725
Construction in progress	2,548,629	2,906,184
Net capital assets	95,334,233	91,092,121
<b>Other assets</b>		
Special assessments, less current portion	9,654,015	8,521,186
Reserve with county commissioners (Note 6)	258,769	258,769
Deferred loan costs, net of accumulated amortization of \$48,231 and \$40,553, respectively	50,446	58,124
Miscellaneous	498,230	338,376
Total other assets	10,461,460	9,176,455
Total noncurrent assets	105,795,693	100,268,576
Total assets	\$ 119,744,306	\$ 116,088,704

The accompanying notes are an integral part of these financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT  
STATEMENTS OF NET ASSETS, CONTINUED  
December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt (Note 5)	\$ 1,576,784	\$ 1,703,085
Accounts payable - trade	466,589	919,509
Compensated absences payable (Note 8)	222,463	179,566
Accrued payroll and payroll taxes	182,555	148,353
Accrued interest payable	502,559	469,681
Accounts due others	529,912	457,109
Total current liabilities	3,480,862	3,877,303
Long-term debt, less current portion (Note 5)	26,620,588	25,337,959
Total liabilities	30,101,450	29,215,262
<b>Net assets</b>		
Invested in capital assets, net of related debt	70,996,152	66,996,140
Restricted	3,808,845	2,895,760
Unrestricted	14,837,859	16,981,542
Total net assets	\$ 89,642,856	\$ 86,873,442

The accompanying notes are an integral part of these financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Operating revenues</b>		
Utility revenue	\$ 5,932,568	\$ 5,106,308
Fees and permits	285,737	399,988
Contract services	184,875	183,734
Other	121,181	121,433
Total operating revenues	<u>6,524,361</u>	<u>5,811,463</u>
<b>Operating expenses</b>		
Depreciation and amortization	3,401,484	3,178,038
Labor	1,803,328	1,400,332
Employee benefits	664,557	527,148
Professional services	309,078	242,008
Purchased water and sewer treatment	1,044,047	834,553
Materials and supplies	844,422	570,302
Utilities	352,574	283,892
Rent	5,808	6,344
Other	334,215	304,059
Total operating expenses	<u>8,759,513</u>	<u>7,346,676</u>
Operating loss	(2,235,152)	(1,535,213)
<b>Nonoperating revenues (expenses)</b>		
Interest income	1,033,402	891,628
Interest expense	(1,314,011)	(1,176,543)
Other income (expense)	97,556	(50,367)
Net nonoperating revenues (expenses)	<u>(183,053)</u>	<u>(335,282)</u>
<b>Aid in construction</b>	<u>5,187,619</u>	<u>5,130,002</u>
<b>Change in net assets</b>	2,769,414	3,259,507
<b>Net assets - beginning</b>	<u>86,873,442</u>	<u>83,613,935</u>
<b>Net assets - ending</b>	<u>\$ 89,642,856</u>	<u>\$ 86,873,442</u>

The accompanying notes are an integral part of these financial statements.



**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash flows from operations</b>		
Cash received from customers	\$ 6,564,986	\$ 5,837,782
Cash payments to suppliers for goods and services	(3,411,565)	(1,877,387)
Cash payments to employees for services	(2,390,786)	(1,875,680)
Net cash provided by operations	762,635	2,084,715
 <b>Cash flows from capital and related financing activities</b>		
Aid in construction	235,459	1,012,088
Proceeds from capital grant	987,716	0
System development fees	924,225	1,251,625
Acquisition and construction of capital assets	(6,599,745)	(5,734,074)
Proceeds from sale of capital assets	164,201	0
Proceeds from issuance of long-term debt	2,750,962	1,906,878
Repayment of long-term debt	(1,594,634)	(1,397,684)
Collections on special assessments	637,811	(41,676)
Interest paid	(1,281,133)	(1,202,767)
Net cash used in capital and related financing activities	(3,775,138)	(4,205,610)
 <b>Cash flows from investing activities</b>		
Interest received	1,033,402	891,628
Proceeds on sale of investments	1,438,104	33,082,486
Purchases of investments	(54,177)	(31,747,346)
Net cash provided by investing activities	2,417,329	2,226,768
 Increase (decrease) in cash and cash equivalents	(595,174)	105,873
 Cash and cash equivalents - beginning of the year	3,092,980	2,987,107
 Cash and cash equivalents - end of year	\$ 2,497,806	\$ 3,092,980
 Restricted cash	\$ 1,934,374	\$ 971,427
Unrestricted cash	\$ 563,432	\$ 2,121,553

The accompanying notes are an integral part of these financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT  
STATEMENTS OF CASH FLOWS, CONTINUED  
For The Years Ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash flows from operations</b>		
Operating loss	\$ (2,235,152)	\$ (1,535,213)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,401,484	3,178,038
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable - trade	40,625	26,319
Inventory	33,201	(72,524)
Other assets	(174,505)	45,906
Accounts payable - trade	(452,920)	372,880
Accrued payroll and payroll taxes	77,099	15,895
Accounts due to others	72,803	53,414
Total adjustments	2,997,787	3,619,928
Net cash provided by operations	\$ 762,635	\$ 2,084,715

The accompanying notes are an integral part of these financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended December 31, 2006 and 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Northwestern Water and Sewer District (the "District") commenced operations on January 1, 1994. The District was created upon approval by the Wood County Court of Common Pleas pursuant to Section 6119 of the Ohio Revised Code for the purpose of supplying water and providing for the collection, treatment, and disposal of wastewater to users within and without the District. The District was previously known as the Wood County Sanitary Engineer's Office and was under the control of Wood County (the County). Upon commencement, the County transferred the use of all related assets and liabilities to the District at carrying value.

The District is governed by a nine-member Board of Trustees (the Board), three appointed by the participating municipalities, three by the participating townships, and three by the County Commissioners. Board members serve staggered terms of six years. The Board controls the employment of the Executive Director of the District, who is responsible for staffing the respective departments and overseeing the day-to-day operations.

The District is authorized to issue revenue bonds and notes to finance the cost of projects which are payable from the revenues of the District. The District is also authorized to levy taxes for the current expenses of the District or for the issuance of bonds upon approval of a majority of the electorate. The District has not exercised these taxing powers. The District may also assess real estate for certain improvements and issue bonds in anticipation of the collection of such special assessments.

As a political subdivision, the District is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The District is not subject to federal, state, or local income taxes or sales taxes.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. The criterion was considered in determining the reporting entity. The District does not have financial accountability over any entities.

In February 2006, the Village of Weston joined the District. The District assumed the operation and ownership of a wastewater treatment plant, wastewater collection system and a water distribution system serving approximately 500 customers. During the first eleven months of operation, the District made a number of improvements to the wastewater treatment plant including a new roof, elimination of chlorine in favor of ultraviolet light for treatment. A major water loss was found and corrected resulting in a savings of approximately \$4,000 per month in purchased water cost.

In July 2006, the Village of Bairdstown joined the District which resulted in the District assuming ownership and operations of a water distribution system serving approximately 50 customers.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, In accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions and Accounting Research Bulletins issued after November 30, 1989, unless they conflict with GASB pronouncements.

**Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statements of net assets. The statements of changes in net assets present increases (i.e., revenue) and decreases (i.e., expenses) in net total assets. The statements of cash flows provide information about how the District finances and meets the cash flow needs of its enterprise activity.

**Use of Estimates**

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

**Budgetary Process**

The District is required by law to budget its funds, through adoption of an operating budget by July 15 of each year for the following fiscal year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year. The District prepares its operating budget on the accrual basis of accounting, the same basis on which its financial statements are prepared.

**Cash and Cash Equivalents**

The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable - Trade**

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed to be uncollectible, they are expensed in the year in which that determination is made.

**Deferred Loan Costs**

Deferred loan costs are amortized using the straight-line method over the term of the related debt.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Special Assessments Receivable**

Special assessments receivable include amounts due from property owners that benefited from projects constructed by the District. The District receives proceeds from the property owners through assessments collected by the County over a 20-year period.

**Inventory**

Inventory items are stated at lower of cost or market. Inventory consists primarily of water meters and maintenance parts and supplies for the water and sewer lines.

**Capital Assets**

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed, as incurred. Contributed assets are stated at fair value at the time of contribution. Capital assets are defined by the District as assets with initial individual cost of \$500.

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Sewer and water lines	50
Buildings, pumps and lift stations	20 - 40
Machinery and equipment	10 - 15
Vehicles	5 - 10
Furniture and fixtures	7 - 12
Computer equipment	3 - 5
Improvements	10 - 40

Construction in process includes all of the District's costs to develop capital asset projects. The projects are funded through Board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District capitalized interest of \$36,868 and \$100,190 for the years ended December 31, 2006 and 2005, respectively.

**Investments**

Investments are stated at fair value.

**Compensated Absences**

The District follows GASB Statement No. 16, Accounting for Compensated Absences, which requires that a liability be accrued if it is probable that the employee will be compensated through cash payment.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Revenues and Expenses**

Operating revenues and expenses result from supplying water and providing for the collection, treatment and disposal of wastewater. Operating revenues consist primarily of user charges for water and sewage services based on water consumption. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues and expenses include revenues and expenses from capital and related financing activities, and investing activities.

**Aid in Construction**

Certain types of revenues received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions have been reported as nonoperating revenues. These amounts include system development fees, assets whose construction was financed by special assessments, donations from private sources, and grants for the acquisition of fixed assets.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net assets consist of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

The District's Board of Trustees has designated unrestricted net assets of \$8,334,465 and \$8,225,816 as of December 31, 2006 and 2005, respectively for capital and operating expenditures, and debt service. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board.

**User Rates and Expenses**

The District's sewer and water utility rates are determined in conjunction with periodic rate studies performed by independent third parties. Nondirect expenses are generally allocated based upon management's estimate of costs applicable to the respective divisions. Nondirect expenses were allocated to the sewer and water divisions, 62% and 38%, respectively.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 2 - CASH AND INVESTMENTS**

**Deposits**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. The carrying value of the District's deposits was \$1,171,658 and \$1,376,298 at December 31, 2006 and 2005, respectively. Of the bank balance at December 31, 2006 \$100,000 was covered by federal depository insurance and \$1,071,658 and \$1,276,298 as of December 31, 2006 and 2005, respectively, was covered by collateral held by the pledging financial institution, but not in the name of the District.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of Statement No. 3 and subject to custodial credit risk.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 2 - CASH AND INVESTMENTS, continued**

**Investments**

State Statute and Board Resolutions authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The District has no investment policy that addresses interest rate risk.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for December 31, 2006 and 2005

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District's investments in the Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investment Services. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal National Mortgage Association Notes represents 20% of the District's total investments.



**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 2 - CASH AND INVESTMENTS, continued**

**Investments, Continued**

The District's investments consist of the following:

<u>INVESTMENT</u>	<u>2005</u> CARRYING/ FAIR VALUE	<u>2006</u> CARRYING/ FAIR VALUE	<u>Maturity</u> Less than 1 year	<u>Maturity</u> 2-5 Years
U.S. Treasuries and Federal Agency Obligations	\$ 7,882,062	\$ 7,221,194	\$ 4,749,485	\$ 2,471,709
Money Market Mutual Funds	1,333,080	624,724	624,724	0
STAR Ohio	<u>971,400</u>	<u>1,932,255</u>	<u>1,932,255</u>	<u>0</u>
Total Investments (including restricted)	<u>\$ 10,186,542</u>	<u>\$ 9,778,173</u>	<u>\$ 7,306,464</u>	<u>\$ 2,471,709</u>

Classification in the Statement of Net Assets:

	<u>2006</u>	<u>2005</u>
Cash and Equivalents:		
Current	\$ 563,432	\$ 2,121,553
Restricted for debt retirement	<u>1,934,374</u>	<u>971,427</u>
Total	<u>\$ 2,497,806</u>	<u>\$ 3,092,980</u>
Investments:		
Current	\$ 5,971,447	\$ 7,290,809
Restricted for debt retirement	<u>1,874,471</u>	<u>1,924,333</u>
Total	<u>\$ 7,845,918</u>	<u>\$ 9,215,142</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2006 and 2005**

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2006 is as follows:

	<u>Balance at</u> <u>December 31, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at</u> <u>December 31, 2006</u>
<b>Non-depreciable</b>					
Land	\$ 484,725	\$ 0	\$ 73,368	\$ 0	\$ 411,357
Construction in progress	2,906,184	4,168,818		(4,526,373)	2,548,629
Total non-depreciable	3,390,909	4,168,818	73,368	(4,526,373)	2,959,986
<b>Depreciable</b>					
Sewer and water lines	123,269,913	1,215,392		4,198,339	128,683,644
Buildings, pumps and lift stations	8,906,071	1,492,251		328,034	10,726,356
Machinery and equipment	2,336,046	163,738	4,195		2,495,589
Vehicles	1,089,823	511,050	224,102		1,376,771
Furniture and fixtures	196,084	28,523			224,607
Computer equipment	413,467	122,240			535,707
Improvements - Oregon waste					
Water treatment plant	5,461,203				5,461,203
Total depreciable cost	141,672,607	3,533,194	228,297	4,526,373	149,503,877
Totals at historical cost	145,063,516	7,702,012	301,665	0	152,463,863
<b>Accumulated depreciation</b>					
Sewer and water lines	46,205,011	2,532,063			48,737,074
Buildings, pumps and lift stations	3,888,873	279,627			4,168,500
Machinery and equipment	1,514,745	236,479	4,195		1,747,029
Vehicles	860,343	101,913	216,122		746,134
Furniture and fixtures	72,745	20,096			92,841
Computer equipment	285,021	65,429			350,450
Improvements - Oregon waste					
Water treatment plant	1,144,657	142,945			1,287,602
Total accumulated depreciation	53,971,395	3,378,552	220,317	0	57,129,630
Capital assets, net	\$ 91,092,121	\$ 4,323,460	\$ 81,348	\$ 0	\$ 95,334,233
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,378,552			
Amortization of loan costs		22,932			
Total Depreciation and amortization		\$ 3,401,484			

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2006 and 2005**

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION, continued**

Capital asset activity for the year ended December 31, 2005 is as follows:

	<u>Balance at</u> <u>December 31, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at</u> <u>December 31, 2005</u>
<b>Non-depreciable</b>					
Land	\$ 292,928	\$ 19,831	\$ 0	\$ 171,966	\$ 484,725
Construction in progress	829,345	4,830,183		(2,753,344)	2,906,184
Total non-depreciable	1,122,273	4,850,014	0	(2,581,378)	3,390,909
<b>Depreciable</b>					
Sewer and water lines	117,906,764	3,000,763		2,362,386	123,269,913
Buildings, pumps and lift stations	8,664,207	72,477		169,387	8,906,071
Machinery and equipment	2,198,183	129,668	41,410	49,605	2,336,046
Vehicles	973,267	116,556			1,089,823
Furniture and fixtures	193,405	2,679			196,084
Computer equipment	393,295	20,171			413,467
Improvements - Oregon waste					
Water treatment plant	4,916,968	544,236			5,461,203
Total depreciable cost	135,246,089	3,886,550	41,410	2,581,378	141,672,607
Totals at historical cost	136,368,362	8,736,564	41,410	0	145,063,516
<b>Accumulated depreciation</b>					
Sewer and water lines	43,804,437	2,400,574			46,205,011
Buildings, pumps and lift stations	3,646,957	241,916			3,888,873
Machinery and equipment	1,319,949	234,478	39,682		1,514,745
Vehicles	796,704	63,639			860,343
Furniture and fixtures	43,948	28,797			72,745
Computer equipment	226,587	58,434			285,021
Improvements - Oregon waste					
Water treatment plant	1,014,186	130,471			1,144,657
Total accumulated depreciation	50,852,768	3,158,309	39,682	0	53,971,395
Capital assets, net	\$ 85,515,594	\$ 5,578,255	\$ 1,728	\$ 0	\$ 91,092,121
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,158,309			
Amortization of loan costs		19,728			
Total Depreciation and amortization		\$ 3,178,037			

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2006 and 2005**

**NOTE 4 - DEBT**

Ohio Water Development Authority loans payable

The District has eleven loans with the Ohio Water Development Authority (OWDA) to finance the cost of developing and improving the water and sewer systems. The following table shows remaining principal amounts outstanding on the individual loans as of December 31, 2006 and 2005:

<b>Project Number</b>	<b>Date of Loan</b>	<b>Original Amount</b>	<b>Interest Rate</b>	<b>Final Payment Date</b>	<b>2006 Amount Outstanding</b>	<b>2005 Amount Outstanding</b>
SS #140	09/29/94	1,065,000	4.18%	07/01/14	\$ 533,182	\$ 588,260
WL #234	07/27/95	5,496,313	6.36%	01/01/16	3,436,384	3,694,696
WL #167-183	05/27/99	3,503,947	5.56%	07/01/20	2,819,485	2,949,753
WL #300	10/28/04	90,500	4.10%	01/01/25	85,962	(1,482)
SS #904 & WL #904	08/31/00	1,660,596	3.0% - 6.39%	01/01/21	1,305,946	1,368,081
WL #318	9/31/04	338,000	4.56%	07/01/24	317,391	327,352
SS #1000	11/04/04	168,224	4.56%	07/01/24	157,931	162,906
Weston 2918	02/25/93	943,552	2.00%	01/01/19	529,787	0
Weston 1433	05/06/82	645,201	12.00%	01/01/08	106,235	0
Weston 3587	09/26/01	560,079	1.50%	07/01/23	486,357	0
Weston 4046	02/26/04	420,316	1.50%	07/01/25	402,149	0
					<u>\$ 10,180,809</u>	<u>\$ 9,089,566</u>

Other long-term loans at December 31, 2006 and 2005 are as follows:

<b>Date of Issue</b>	<b>Purpose</b>	<b>Interest Rates</b>	<b>Maturity Date</b>	<b>2006 Amount Outstanding</b>	<b>2005 Amount Outstanding</b>
01/01/87	Sewer improvement - SS #220	7.76%	12/31/06	\$ 0	\$ 113,670
12/01/97	Jerry City SS/Cygnnet Lagoon	6.04%	12/01/36	204,170	208,867
08/13/98	Jerry City SS #1800 OPWC loan	0.00%	07/01/19	316,058	353,984
09/08/98	Jerry City SS #1800 USDA loan	4.75%	09/08/38	263,200	266,700
07/01/03	W Boundary Rehab OPWC loan	0.00%	07/01/13	112,438	138,384
12/05/05	Easterly OPWC Loan	0.00%	12/31/07	111,232	111,231
07/31/04	Jerry City WL #CE37F	0.00%	01/01/25	174,709	189,268
11/03/04	Rudolph SS #CE33E	0.00%	07/01/24	72,482	78,695
				<u>\$ 1,254,289</u>	<u>\$ 1,460,799</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 4 - DEBT, continued**

Bonded debt at December 31, 2006 and 2005 is as follows:

Date of Issue	Purpose	Original Amount	Interest Rates	Maturity Date	2006	2005
					Amount Outstanding	Amount Outstanding
09/17/96	Special assessment bond	277,159	6.20%	12/01/16	\$ 139,000	\$ 152,000
10/01/98	Special assessment bond	360,000	4.25 - 5.25%	10/01/18	215,000	230,000
09/23/99	Special assessment bond	500,000	5.85%	12/01/19	380,000	400,000
09/20/00	Special assessment bond	175,000	6.13%	12/01/20	125,000	135,000
03/01/02	2002 revenue bond	4,235,000	3.00 - 5.25%	12/01/21	2,235,000	2,635,000
06/07/02	Special assessment bond	957,578	4.75%	11/01/22	796,000	838,000
09/01/02	Special assessment bond	74,000	2.91 - 5.10%	12/01/22	66,260	68,737
09/01/02	Special assessment bond	1,121,000	2.91 - 5.10%	12/01/22	1,003,740	1,041,263
03/20/03	USDA building construction	2,975,000	4.63%	03/20/33	2,825,050	2,877,310
09/01/03	Special assessment bond	1,245,000	2.00 - 5.35%	09/01/23	1,125,000	1,170,000
06/28/04	USDA Revenue bond	796,000	4.375%	06/01/44	787,900	796,000
09/08/04	USDA Special assessment bond	820,000	4.75%	09/01/24	768,200	794,700
09/15/04	Special assessment bond	2,165,000	2.00 - 5.00%	12/01/24	2,066,495	2,143,837
09/15/04	Revenue bond	2,000,000	2.00 - 5.00%	12/01/24	1,870,000	1,945,001
08/01/05	Revenue bond	1,200,000	3.00 - 5.00%	12/01/25	1,220,639	1,263,831
08/16/06	Revenue bond	1,010,000	4.00 - 4.65%	12/31/26	1,010,000	0
02/13/06	Rotary Commission loan	128,990	5.00%	indefinite	128,990	0
					\$ 16,762,274	\$ 16,490,679

Debt is secured by the underlying capital assets, assessments against property owners or general revenues of the District.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2006 and 2005**

**NOTE 4 - DEBT, continued**

Long-term debt activity for the year ended December 31, 2006 is as follows:

	Balance at December 31, 2005	Additions	Reductions	Balance at December 31, 2006	Amount due in 2006
OWDA - SS #140	\$ 588,260	\$ 0	\$ 55,078	\$ 533,182	\$ 57,404
OWDA - WL #234	3,694,696		258,312	3,436,384	274,740
OWDA - WL #167 - 183	2,949,753		130,268	2,819,485	137,612
OWDA - SS #904 & WL #904	1,368,081		62,135	1,305,946	56,923
OWDA - SS #1000	162,906		4,975	157,931	5,820
OWDA - WL #300	(1,482)	87,444		85,962	3,183
Weston 2918	0	529,787		529,787	37,733
Weston 1433	0	106,235		106,235	69,515
Weston 3587	0	486,357		486,357	25,318
Weston 4046	0	402,149		402,149	17,440
Sewer improvement - SS #220	113,670		113,670	0	0
Jerry City SS/Cygnnet Lagoon	208,867		4,697	204,170	2,563
Jerry City SS #1800 OPWC loan	353,984		37,926	316,058	37,927
Jerry City SS #1800 USDA loan	266,700		3,500	263,200	3,700
W Boundary Rehab OPWC loan	138,384		25,946	112,438	17,298
Easterly OPWC loan	111,231		(1)	111,232	111,231
Jerry City WL #CE37F	189,268		14,559	174,709	9,706
Rudolph SS #CE33E	78,695		6,213	72,482	4,142
Special assessments bond	152,000		13,000	139,000	14,000
Special assessments bond	230,000		15,000	215,000	20,000
Special assessments bond	400,000		20,000	380,000	20,000
Special assessments bond	135,000		10,000	125,000	10,000
2002 revenue bond	2,635,000		400,000	2,235,000	180,000
Special assessments bond	838,000		42,000	796,000	48,000
Special assessments bond	68,737		2,477	66,260	2,786
Special assessments bond	1,041,263		37,523	1,003,740	42,214
USDA building construction	2,877,310		52,260	2,825,050	54,676
Special assessments bond	1,170,000		45,000	1,125,000	45,000
USDA Revenue bond	796,000		8,100	787,900	8,400
USDA Special assessment bond	794,700		26,500	768,200	27,800
Special assessment bond	2,143,837		77,342	2,066,495	85,000
Revenue bond	1,945,001		75,001	1,870,000	75,000
OWDA Jerry City	327,352		9,961	317,391	11,653
Revenue bond - Series 2005A	1,263,831		43,192	1,220,639	40,000
Revenue bond	0	1,010,000		1,010,000	20,000
Rotary commission loan	0	128,990		128,990	0
Total	<u>\$ 27,041,044</u>	<u>\$ 2,750,962</u>	<u>\$ 1,594,634</u>	<u>\$ 28,197,372</u>	<u>\$ 1,576,784</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 4 - DEBT, continued**

Long-term debt activity for the year ended December 31, 2005 is as follows:

	<b>Balance at December 31, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2005</b>	<b>Amount due in 2005</b>
OWDA - SS #140	\$ 641,106	\$ 0	\$ 52,846	\$ 588,260	\$ 55,078
OWDA - WL #234	3,937,561		242,865	3,694,696	258,311
OWDA - WL #167 - 183	3,073,070		123,317	2,949,753	130,268
OWDA - SS #904 & WL #904	1,436,513		68,432	1,368,081	63,318
OWDA - SS #1000	168,224		5,318	162,906	4,975
OWDA - WL#300	0	90,500	91,982	(1,482)	0
Sewer improvement - SS #220	100,910		(12,760)	113,670	113,670
Jerry City SS/Cygnnet Lagoon	208,867			208,867	4,697
Jerry City SS #1800 OPWC loan	366,627		12,643	353,984	37,927
Jerry City SS #1800 USDA loan	270,000		3,300	266,700	3,500
W Boundary Rehab OPWC loan	147,034		8,650	138,384	17,298
Easterly OPWC loan	0	111,231		111,231	0
Jerry City WL #CE37F	136,912	59,479	7,123	189,268	9,706
Rudolph SS #CE33E	80,766		2,071	78,695	4,142
Special assessments bond	166,000		14,000	152,000	13,000
Special assessments bond	250,000		20,000	230,000	15,000
Special assessments bond	420,000		20,000	400,000	23,375
Special assessments bond	145,000		10,000	135,000	10,000
2002 revenue bond	3,035,000		400,000	2,635,000	525,000
Special assessments bond	880,000		42,000	838,000	42,000
Special assessments bond	70,904		2,167	68,737	2,477
Special assessments bond	1,074,096		32,833	1,041,263	37,523
USDA building construction	2,927,259		49,949	2,877,310	52,260
Special assessments bond	1,215,001		45,001	1,170,000	45,000
USDA Revenue bond	796,000			796,000	8,100
USDA Special assessment bond	820,000		25,300	794,700	26,500
Special assessment bond	2,165,000	43,837	65,000	2,143,837	75,000
Revenue bond	2,000,000		54,999	1,945,001	75,000
OWDA Jerry City	0	338,000	10,648	327,352	9,960
Revenue bond - Series 2005A	0	1,263,831		1,263,831	40,000
	<u>\$ 26,531,850</u>	<u>\$ 1,906,878</u>	<u>\$ 1,397,684</u>	<u>\$ 27,041,044</u>	<u>\$ 1,703,085</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 5 - DEBT**

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,576,784	\$ 1,327,940	\$ 2,904,724
2008	1,489,402	1,250,641	2,740,043
2009	1,499,679	1,178,857	2,678,536
2010	1,595,753	1,117,107	2,712,860
2011	1,616,051	1,206,869	2,822,920
2012-2015	6,859,323	3,327,699	10,187,022
2016-2020	7,541,368	2,408,933	9,950,301
2021-2025	3,819,475	901,394	4,720,869
2026-2030	1,175,888	363,531	1,539,419
2031-2035	696,003	149,152	845,155
2036-2040	173,246	56,179	229,425
2041-2044	154,400	17,251	171,651
Total	<u>\$ 28,197,372</u>	<u>\$ 13,305,553</u>	<u>\$ 41,502,925</u>

At December 31, 2006 and 2005, respectively, the District had \$3,808,845 and \$2,895,760 in cash and cash equivalents and investments restricted in accordance with loan agreements.

**NOTE 6 - COUNTY DEBT OBLIGATIONS**

The County has issued special assessment debt on behalf of the District to fund District projects. This debt will be paid from the proceeds of special assessments levied against those property owners that benefited from the projects. In the event that property owners fail to make their special assessment payments, the County is responsible for the annual principal and interest payments. At December 31, 2006 and 2005, \$1,757,825 and \$2,062,000 respectively, in special assessment debt related to the District is outstanding. This debt is backed by the full faith and credit of the County and is not reflected in the District's financial statements.

During the formation of the District, the County retained \$208,000 to establish a reserve to fund shortfalls in the collection of the above special assessments. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to remit to the District any balance that may be remaining in this reserve. During 2006 and 2005, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,769 as of December 31, 2006 and 2005.

The County is also obligated for loans received from the Ohio Sewer and Rotary Commission (Rotary Commission) for the District's sewer and water line assessments, the collection of which is deferred or exempt pursuant to Section 6103.051 of the Ohio Revised Code. The County is responsible for collecting the assessments when the property no longer meets the exemption criteria. This money must be remitted to the Rotary Commission within one year, even if not collected by the County.



**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 6 - COUNTY DEBT OBLIGATIONS, continued**

At December 31, 2006 and 2005, \$2,033,342 and \$1,703,427, respectively, in loans from the Rotary Commission are outstanding. These amounts have not been reflected in the District's financial statements, since the County is ultimately responsible for the payment of this debt. The County retained \$75,000 during the formation of the District to establish a reserve to fund shortfalls in the collection of amounts due. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to remit to the District any balance that may be remaining in this reserve. No withdrawals from the reserve were made during 2006 and 2005, or in prior years on this reserve.

**NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS**

The employees of the District are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS 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. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9% of qualifying gross wages for all employees. The total 2006 and 2005 employer contribution rate was 13.54% of covered payroll. The District's contributions to PERS for the years ending December 31, 2006 and 2005 and 2004 were \$265,804, \$207,821, and \$195,541, respectively. All required contributions were made prior to each of those fiscal year ends. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 and 2005 employer contribution rate was 13.70% of covered payroll; 4.5% and 4% was the portion that was used to fund health care for 2006 and 2005, respectively, which is \$87,308 and \$58,095 for 2006 and 2005, respectively.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contribution to PERS.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2006 and 2005**

**NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS, continued**

OPEB is financed through employer contributions and investment earnings thereon. PERS uses advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2005. The following significant actuarial assumptions were used in this valuation:

Funding Method

An individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return

The investment assumption rate was 6.5%.

Active Employee Total Payroll

An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

Health Care Costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond) health care cost were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2005 was 358,804. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$11.1 billion as of December 31, 2005. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and 20.2 billion, respectively.

**NOTE 8 - COMPENSATED ABSENCES**

Vacation and sick leave policies are established by an agreement between the District and the American Federation of State, County and Municipal Employees, for members of the bargaining unit, and by personnel policy for management employees not covered by the labor agreement.

For both union and non-union employees, these agreements provide for two weeks of paid vacation after one year of service, three weeks after eight years of service, four weeks after fifteen years of service, and five weeks after twenty-five years of service. Vacation time relating to a maximum of two years of service may be accumulated before it is lost.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Year Ended December 31, 2006 and 2005**

**NOTE 8 - COMPENSATED ABSENCES, continued**

For union personnel, the labor agreement provides for sick leave pay to be credited at a rate of 4.6 hours for each eighty hours "in active pay status." By limiting the use of sick leave during the fiscal year, an employee may receive a bonus.

In the event of termination of employment after ten consecutive years of service, or due to retirement, such employees are entitled to receive payment for one fourth of their accumulated sick leave, up to a maximum of 120 days.

The District has recorded an estimated liability of \$222,463 and \$179,566 as of December 31, 2006 and 2005, respectively, for vacation pay and sick leave payable, in accordance with GASB No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued using the termination method. The change in compensated absences as of December 31, 2006 and 2005 was \$42,897 and \$35,905, respectively.

**NOTE 9 - INSURANCE**

The District maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage between 2006 and 2005. There have been no significant reductions in insurance coverage from 2005, and no insurance settlement has exceeded insurance coverage during the last four years.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Grants**

The District has received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of District management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2005. In 2005 the District did not receive any grants.

**Construction Commitments**

At December 31, 2006 and 2005, the District has construction commitments, on which work has not commenced, totaling approximately \$940,682 and \$966,007, respectively, which will be funded by existing resources or the issuance of new revenue debt.

**System Development Fees**

By settlement agreement dated September 14, 2000 relating to litigation between the District and the City of Northwood, the parties resolved all claims asserted. The District agreed to pay to Northwood system development fees collected within the City for a ten (10) year term beginning in 1999 in an aggregate amount not to exceed \$500,000. Northwood relinquished any claim that it owns the District's facilities and any claim to appropriate the facilities. In 2006 and 2005, the District remitted system development fees of approximately \$33,100 and \$91,700, respectively, for cumulative fees paid under the agreement of \$447,202 at December 31, 2006.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Year Ended December 31, 2006 and 2005**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES, continued**

**Litigation and Claims**

In the normal course of operations the District may be subject to other litigation and claims. While the outcome of any such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the District's financial position.

**Other Pending EPA and Local Health Department Ordered Projects**

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. As of December 31, 2006, there are four such ordered areas with preliminary or updated cost estimates totaling \$10.8 million for projects commencing or finishing over the next few years. These projects will be paid for by federal and state financial assistance and by the property owners benefiting from the projects through real estate special assessments and connection fees.

The District had approximately \$3,773,728 at December 31, 2006 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$2,033,342 of which would have qualified for loans from the Rotary Commission and Wood County Commissioners pursuant to Section 6103.051 of the Ohio Revised Code, had these funds been available from the Rotary Commission. As these receivables become due and payable only in the event the properties no longer qualify, and therefore collection is uncertain, they have not been reported in the financial statements.

**NOTE 11 - NON-CASH TRANSACTIONS**

Special assessments of \$2,029,399 and \$738,895 were recognized and recorded as aid in construction in 2006 and 2005, respectively.

Developers dedicated water and sewer lines with total costs of \$1,102,267 and \$2,969,460 in 2006 and 2005, respectively, with such contributions recorded as aid in construction.

Increase (decrease) in fair value of investments as of December 31, 2006 and 2005 was \$(24,867) and \$(11,195), respectively.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2006 and 2005**

**NOTE 12 - SEGMENT INFORMATION**

Significant financial data for the respective divisions of the District's enterprise fund at and for the years ended December 31, 2006 and 2005 is as follows:

	2006			2005		
	Water	Sewer	Total	Water	Sewer	Total
<b>Statement of net assets</b>						
Current assets	\$ 5,687,343	\$ 8,261,270	\$ 13,948,613	\$ 6,447,620	\$ 9,372,508	\$ 15,820,128
Capital assets	40,988,676	54,345,557	95,334,233	38,219,958	52,872,163	91,092,121
Other assets	5,672,400	4,789,060	10,461,460	5,133,731	4,042,724	9,176,455
Total assets	52,348,419	67,395,887	119,744,306	49,801,309	66,287,395	116,088,704
Current liabilities	1,498,931	1,981,931	3,480,862	1,501,977	2,375,326	3,877,303
Long-term liabilities	13,621,806	12,998,782	26,620,588	12,541,459	12,796,500	25,337,959
Total liabilities	15,120,737	14,980,713	30,101,450	14,043,436	15,171,826	29,215,262
Invested in capital assets, net of related debt	29,248,842	41,747,310	70,996,152	26,972,842	40,023,298	66,996,140
Restricted	2,624,928	1,183,917	3,808,845	2,092,006	803,754	2,895,760
Unrestricted	5,353,912	9,483,947	14,837,859	6,693,025	10,288,517	16,981,542
Total net assets	\$ 37,227,682	\$ 52,415,174	\$ 89,642,856	\$ 35,757,873	\$ 51,115,569	\$ 86,873,442
<b>Statement of revenues, expenses, and change in net assets</b>						
Utility revenues	\$ 2,865,069	\$ 3,067,499	\$ 5,932,568	\$ 2,551,188	\$ 2,555,120	\$ 5,106,308
Other revenues	336,420	255,373	591,793	439,854	265,301	705,155
Total operating revenues	3,201,489	3,322,872	6,524,361	2,991,042	2,820,421	5,811,463
Depreciation and amortization	1,262,110	2,139,374	3,401,484	1,132,963	2,045,075	3,178,038
Other operating expenses	2,687,014	2,671,015	5,358,029	2,157,950	2,010,688	4,168,638
Total operating expenses	3,949,124	4,810,389	8,759,513	3,290,913	4,055,763	7,346,676
Operating loss	(747,635)	(1,487,517)	(2,235,152)	(299,871)	(1,235,342)	(1,535,213)
Interest expense	(704,458)	(609,553)	(1,314,011)	(672,696)	(503,847)	(1,176,543)
Other nonoperating						
Revenues	542,985	587,973	1,130,958	467,664	373,597	841,261
Total nonoperating revenues (expenses)	(161,473)	(21,580)	(183,053)	(205,032)	(130,250)	(335,282)
Aid in construction	2,378,917	2,808,702	5,187,619	2,612,560	2,517,442	5,130,002
Change in net assets	1,469,809	1,299,605	2,769,414	2,107,657	1,151,850	3,259,507
Beginning net assets	35,757,873	51,115,569	86,873,442	33,650,216	49,963,719	83,613,935
Ending net assets	\$ 37,227,682	\$ 52,415,174	\$ 89,642,856	\$ 35,757,873	\$ 51,115,569	\$ 86,873,442
<b>Statement of cash flows</b>						
Net cash provided by (used in)						
Operating activities	\$ 452,875	\$ 309,760	\$ 762,635	\$ 752,672	\$ 1,332,043	\$ 2,084,715
Capital and related financing	(1,838,583)	(1,936,555)	(3,775,138)	(1,063,359)	(3,142,251)	(4,205,610)
Investing	682,556	1,734,773	2,417,329	677,432	1,549,336	2,226,768
Cash at beginning of year	1,805,385	1,287,595	3,092,980	1,438,640	1,548,467	2,987,107
Cash at end of year	\$ 1,102,233	\$ 1,395,573	\$ 2,497,806	\$ 1,805,385	\$ 1,287,595	\$ 3,092,980

## **SUPPLEMENTAL INFORMATION**

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS - BUDGET TO ACTUAL**  
**December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Operating revenues</b>				
Utility revenue	\$ 6,025,938	\$ 6,025,938	\$ 5,932,568	\$ (93,370)
Fees and permits	340,000	340,000	285,737	(54,263)
Contract services	170,000	170,000	184,875	14,875
Other	48,000	48,000	121,181	73,181
Total operating revenues	6,583,938	6,583,938	6,524,361	(59,577)
<b>Operating expenses</b>				
Labor	1,737,283	1,737,283	1,803,328	(66,045)
Employee benefits	709,432	709,432	664,557	44,875
Professional services	254,104	254,104	309,078	(54,974)
Purchased water and sewer treatment	1,053,000	1,053,000	1,044,047	8,953
Materials and supplies	547,750	547,750	844,422	(296,672)
Utilities	323,341	323,341	352,574	(29,233)
Rent	-	-	5,808	(5,808)
Other	451,403	451,403	334,215	117,188
Depreciation and amortization	3,625,769	3,625,769	3,401,484	224,285
Total operating expenses	8,702,082	8,702,082	8,759,513	(57,431)
Operating loss	(2,118,144)	(2,118,144)	(2,235,152)	(117,008)
<b>Nonoperating revenues (expenses)</b>				
Interest income	750,000	750,000	1,033,402	283,402
Interest expense	(1,329,485)	(1,329,485)	(1,314,011)	15,474
Other	(19,500)	(19,500)	97,556	117,056
Net nonoperating revenues (expenses)	(598,985)	(598,985)	(183,053)	415,932
Excess of expenses over revenues	(2,717,129)	(2,717,129)	(2,418,205)	298,924
<b>Reconciliation to change in net assets</b>				
Aid in construction	2,492,279	2,492,279	5,187,619	2,695,340
Change in net assets	\$ (224,850)	\$ (224,850)	\$ 2,769,414	\$ 2,994,264

Note to supplementary information

The District's budget is prepared on the basis of accounting principles generally accepted in the United States of America, the same basis on which its financial statements are prepared. The District is required by law to budget its funds, through adoption of an operating budget by July 15 of each year for the following year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year.

A reconciliation of the annual budget basis revenues and other income in excess of operating expenses to the net income included in the accompanying financial statements is as follows:

	<b>2006</b>	<b>2005</b>
Excess of expenses over revenues - operating budget basis	\$ (2,418,205)	\$ (1,870,495)
Aid in construction	5,187,619	5,130,002
Change in net assets	\$ 2,769,414	\$ 3,259,507

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents-unrestricted	\$ 127,333	\$ 436,099	\$ 0	\$ 563,432
Cash and cash equivalents-restricted	974,900	959,474	0	1,934,374
Investments-unrestricted	988,996	4,982,451	0	5,971,447
Investments-restricted	1,650,028	224,443	0	1,874,471
Accounts Receivable - trade	908,385	1,010,615	0	1,919,000
Current portion of special assessments	811,319	535,577	0	1,346,896
Inventory	204,636	81,206	0	285,842
Prepaid expenses	21,746	31,405	0	53,151
Total current assets	<u>5,687,343</u>	<u>8,261,270</u>	<u>0</u>	<u>13,948,613</u>
<b>Noncurrent assets</b>				
Capital assets				
Sewer and waterlines	52,539,042	76,144,602	0	128,683,644
Buildings, pumps and lift stations	3,605,058	7,121,298	0	10,726,356
Machinery and equipment	835,111	1,660,478	0	2,495,589
Vehicles	408,090	968,681	0	1,376,771
Furniture and fixtures	84,588	140,019	0	224,607
Computer equipment	200,362	335,345	0	535,707
Improvements - Oregon waste water trtmt. plant	2,380,467	3,080,736	0	5,461,203
Total depreciable capital assets	<u>60,052,718</u>	<u>89,451,159</u>	<u>0</u>	<u>149,503,877</u>
Accumulated depreciation	(19,729,882)	(37,399,748)	0	(57,129,630)
Net depreciable capital assets	<u>40,322,836</u>	<u>52,051,411</u>	<u>0</u>	<u>92,374,247</u>
Land	42,083	369,274	0	411,357
Construction in process	623,757	1,924,872	0	2,548,629
Net capital assets	<u>40,988,676</u>	<u>54,345,557</u>	<u>0</u>	<u>95,334,233</u>
Other assets				
Special assessments, less current portion	5,337,533	4,316,482	0	9,654,015
Reserve with county commissioners	36,836	221,933	0	258,769
Deferred loan costs, net of accumulated amortization of \$40,553	50,446	0	0	50,446
Miscellaneous	247,585	250,645	0	498,230
Total other assets	<u>5,672,400</u>	<u>4,789,060</u>	<u>0</u>	<u>10,461,460</u>
Total noncurrent assets	<u>46,661,076</u>	<u>59,134,617</u>	<u>0</u>	<u>105,795,693</u>
Total assets	\$ 52,348,419	\$ 67,395,887	\$ 0	\$ 119,744,306



**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 793,402	\$ 783,382	\$ 0	\$ 1,576,784
Accounts payable - trade	228,940	237,649	0	466,589
Compensated absences payable	84,536	137,927	0	222,463
Accrued payroll and payroll taxes	70,664	111,891	0	182,555
Accrued interest payable	272,265	230,294	0	502,559
Amounts due others	49,124	480,788	0	529,912
Total current liabilities	<u>1,498,931</u>	<u>1,981,931</u>	<u>0</u>	<u>3,480,862</u>
 Long-term debt, less current portion	 <u>13,621,806</u>	 <u>12,998,782</u>	 <u>0</u>	 <u>26,620,588</u>
Total liabilities	<u>15,120,737</u>	<u>14,980,713</u>	<u>0</u>	<u>30,101,450</u>
 <b>Net assets</b>				
Invested in capital assets, net of related debt	29,248,842	41,747,310	0	70,996,152
Restricted	2,624,928	1,183,917	0	3,808,845
Unrestricted	5,353,912	9,483,947	0	14,837,859
Total net assets	<u>\$ 37,227,682</u>	<u>\$ 52,415,174</u>	<u>\$ 0</u>	<u>\$ 89,642,856</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents-unrestricted	\$ 1,386,541	\$ 735,012	\$ 0	\$ 2,121,553
Cash and cash equivalents-restricted	418,844	552,583	0	971,427
Investments-unrestricted	1,113,283	6,177,526	0	7,290,809
Investments-restricted	1,673,162	251,171	0	1,924,333
Accounts receivable - trade	880,834	1,078,791	0	1,959,625
Current portion of special assessments	730,558	449,026	0	1,179,584
Inventory	222,421	96,622	0	319,043
Prepaid expenses	21,977	31,777	0	53,754
Total current assets	<u>6,447,620</u>	<u>9,372,508</u>	<u>0</u>	<u>15,820,128</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Sewer and water lines	49,503,639	73,766,274	0	123,269,913
Buildings, pumps and lift stations	3,079,229	5,826,842	0	8,906,071
Machinery and equipment	692,407	1,643,639	0	2,336,046
Vehicles	352,669	737,154	0	1,089,823
Furniture and fixtures	73,749	122,335	0	196,084
Computer equipment	151,831	261,636	0	413,467
Improvements-Oregon waste water treatment plant	2,380,467	3,080,736	0	5,461,203
Total depreciable capital assets	<u>56,233,991</u>	<u>85,438,616</u>	<u>0</u>	<u>141,672,607</u>
Accumulated depreciation and amortization	<u>(18,506,964)</u>	<u>(35,464,431)</u>	<u>0</u>	<u>(53,971,395)</u>
Net depreciable capital assets	<u>37,727,027</u>	<u>49,974,185</u>	<u>0</u>	<u>87,701,212</u>
Land	42,083	442,642	0	484,725
Construction in process	450,848	2,455,336	0	2,906,184
Net capital assets	<u>38,219,958</u>	<u>52,872,163</u>	<u>0</u>	<u>91,092,121</u>
<b>Other assets</b>				
Special assessments, less current portion	4,871,848	3,649,338	0	8,521,186
Reserve with county commissioners	36,836	221,933	0	258,769
Deferred loan costs, net of accumulated amortization of \$32,485	53,828	4,296	0	58,124
Miscellaneous	171,219	167,157	0	338,376
Total other assets	<u>5,133,731</u>	<u>4,042,724</u>	<u>0</u>	<u>9,176,455</u>
Total noncurrent assets	<u>43,353,689</u>	<u>56,914,887</u>	<u>0</u>	<u>100,268,576</u>
Total Assets	\$ 49,801,309	\$ 66,287,395	\$ 0	\$ 116,088,704

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 851,491	\$ 851,594	\$ 0	\$ 1,703,085
Accounts payable - trade	240,807	678,702	0	919,509
Compensated absences payable	68,235	111,331	0	179,566
Accrued payroll and payroll taxes	57,154	91,199	0	148,353
Accrued interest payable	249,856	219,825	0	469,681
Amounts due others	34,434	422,675	0	457,109
Total current liabilities	<u>1,501,977</u>	<u>2,375,326</u>	<u>0</u>	<u>3,877,303</u>
 Long-term debt, less current portion	 <u>12,541,459</u>	 <u>12,796,500</u>	 <u>0</u>	 <u>25,337,959</u>
Total liabilities	<u>14,043,436</u>	<u>15,171,826</u>	<u>0</u>	<u>29,215,262</u>
 <b>Net assets</b>				
Invested in capital assets, net of related debt	26,972,842	40,023,298	0	66,996,140
Restricted	2,092,006	803,754	0	2,895,760
Unrestricted	6,693,025	10,288,517	0	16,981,542
Total net assets	<u>\$ 35,757,873</u>	<u>\$ 51,115,569</u>	<u>\$ 0</u>	<u>\$ 86,873,442</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
<b>Operating revenues</b>				
Utility revenue	\$ 2,865,069	\$ 3,067,499	\$ 0	\$ 5,932,568
Fees and permits	200,717	85,020	0	285,737
Contract services	71,491	113,384	0	184,875
Other operating revenues	64,212	56,969	0	121,181
Total operating revenues	<u>3,201,489</u>	<u>3,322,872</u>	<u>0</u>	<u>6,524,361</u>
<b>Operating expenses</b>				
Depreciation and amortization	1,262,110	2,139,374	0	3,401,484
Labor	663,157	1,140,171	0	1,803,328
Employee benefits	250,007	414,550	0	664,557
Professional services	124,792	184,286	0	309,078
Purchased water and sewer treatment	917,580	126,467	0	1,044,047
Materials and supplies	454,068	390,354	0	844,422
Utilities	127,718	224,856	0	352,574
Rent	2,207	3,601	0	5,808
Other	147,485	186,730	0	334,215
Total operating expenses	<u>3,949,124</u>	<u>4,810,389</u>	<u>0</u>	<u>8,759,513</u>
Operating loss	(747,635)	(1,487,517)	0	(2,235,152)
<b>Nonoperating revenues (expenses)</b>				
Interest income	525,414	507,988	0	1,033,402
Interest expense	(704,458)	(609,553)	0	(1,314,011)
Other income (expense)	17,571	79,985	0	97,556
Net nonoperating revenues (expenses)	<u>(161,473)</u>	<u>(21,580)</u>	<u>0</u>	<u>(183,053)</u>
<b>Aid in construction</b>	<u>2,378,917</u>	<u>2,808,702</u>	<u>0</u>	<u>5,187,619</u>
<b>Change in net assets</b>	1,469,809	1,299,605	0	2,769,414
<b>Net assets - beginning</b>	<u>35,757,873</u>	<u>51,115,569</u>	<u>0</u>	<u>86,873,442</u>
<b>Net assets - ending</b>	<u>\$ 37,227,682</u>	<u>\$ 52,415,174</u>	<u>\$ 0</u>	<u>\$ 89,642,856</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
<b>Operating revenues</b>				
Utility revenue	\$ 2,551,188	\$ 2,555,120	\$ 0	\$ 5,106,308
Fees and permits	293,917	106,071	0	399,988
Contract services	89,253	94,481	0	183,734
Other operating revenues	56,684	64,749	0	121,433
Total operating revenues	<u>2,991,042</u>	<u>2,820,421</u>	<u>0</u>	<u>5,811,463</u>
<b>Operating expenses</b>				
Depreciation and amortization	1,132,963	2,045,075	0	3,178,038
Labor	534,005	866,327	0	1,400,332
Employee benefits	205,864	321,284	0	527,148
Professional services	117,852	124,156	0	242,008
Purchased water and sewer treatment	724,558	109,995	0	834,553
Materials and supplies	309,541	260,761	0	570,302
Utilities	122,596	161,296	0	283,892
Rent	2,411	3,933	0	6,344
Other	141,123	162,936	0	304,059
Total operating expenses	<u>3,290,913</u>	<u>4,055,763</u>	<u>0</u>	<u>7,346,676</u>
Operating loss	(299,871)	(1,235,342)	0	(1,535,213)
<b>Nonoperating revenues (expenses)</b>				
Interest income	462,213	429,415	0	891,628
Interest expense	(672,696)	(503,847)	0	(1,176,543)
Other expense	5,451	(55,818)	0	(50,367)
Net nonoperating revenues (expenses)	<u>(205,032)</u>	<u>(130,250)</u>	<u>0</u>	<u>(335,282)</u>
<b>Aid in construction</b>	<u>2,612,560</u>	<u>2,517,442</u>	<u>0</u>	<u>5,130,002</u>
<b>Change in net assets</b>	2,107,657	1,151,850	0	3,259,507
<b>Net assets - beginning</b>	<u>33,650,216</u>	<u>49,963,719</u>	<u>0</u>	<u>83,613,935</u>
<b>Net assets - ending</b>	<u>\$ 35,757,873</u>	<u>\$ 51,115,569</u>	<u>\$ 0</u>	<u>\$ 86,873,442</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Cash received from customers	\$ 3,173,938	\$ 3,391,048	\$ 0	\$ 6,564,986
Cash payments to suppliers for goods and services	(1,837,710)	(1,573,855)	0	(3,411,565)
Cash payments to employees for services	(883,353)	(1,507,433)	0	(2,390,786)
Net cash provided by operations	452,875	309,760	0	762,635
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	117,305	118,154	0	235,459
Proceeds from capital grant	189,276	798,440	0	987,716
System development fees	431,250	492,975	0	924,225
Acquisition and construction of capital assets	(3,312,846)	(3,286,899)	0	(6,599,745)
Proceeds from sale of capital assets	7,850	156,351	0	164,201
Proceeds from issuance of long-term debt	1,756,221	994,741	0	2,750,962
Repayment of long-term debt	(733,963)	(860,671)	0	(1,594,634)
Collections on special assessments	388,373	249,438	0	637,811
Interest paid	(682,049)	(599,084)	0	(1,281,133)
Net cash used in capital and related financing activities	(1,838,583)	(1,936,555)	0	(3,775,138)
<b>Cash flows from investing activities</b>				
Interest received	525,414	507,988	0	1,033,402
Proceeds on sale of investments	189,788	1,248,316	0	1,438,104
Purchases of investments	(32,646)	(21,531)	0	(54,177)
Net cash provided by investing activities	682,556	1,734,773	0	2,417,329
Increase (decrease) in cash and cash equivalents	(703,152)	107,978	0	(595,174)
Cash and cash equivalents - beginning of the year	1,805,385	1,287,595	0	3,092,980
Cash and cash equivalents - end of year	<u>\$ 1,102,233</u>	<u>\$ 1,395,573</u>	<u>\$ 0</u>	<u>\$ 2,497,806</u>
Restricted cash	<u>\$ 974,900</u>	<u>\$ 959,474</u>	<u>\$ 0</u>	<u>\$ 1,934,374</u>
Unrestricted cash	<u>\$ 127,333</u>	<u>\$ 436,099</u>	<u>\$ 0</u>	<u>\$ 563,432</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2006**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Operating loss	\$ (747,635)	\$ (1,487,517)	\$ 0	\$ (2,235,152)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,262,110	2,139,374	0	3,401,484
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	(27,551)	68,176	0	40,625
Inventory	17,785	15,416	0	33,201
Other assets	(84,468)	(90,037)	0	(174,505)
Accounts payable-trade	(11,867)	(441,053)	0	(452,920)
Accrued payroll and related taxes	29,811	47,288	0	77,099
Amounts due to others	14,690	58,113	0	72,803
Total adjustments	<u>1,200,510</u>	<u>1,797,277</u>	<u>0</u>	<u>2,997,787</u>
Net cash provided by operations	<u>\$ 452,875</u>	<u>\$ 309,760</u>	<u>\$ 0</u>	<u>\$ 762,635</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Cash received from customers	\$ 2,971,258	\$ 2,866,524	\$ 0	\$ 5,837,782
Cash payments to suppliers for goods and services	(1,498,506)	(378,881)	0	(1,877,387)
Cash payments to employees for services	(720,080)	(1,155,600)	0	(1,875,680)
Net cash provided by operations	<u>752,672</u>	<u>1,332,043</u>	<u>0</u>	<u>2,084,715</u>
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	1,636,638	(624,550)	0	1,012,088
Proceeds from capital grant	0	0	0	0
System development fees	594,250	657,375	0	1,251,625
Acquisition and construction of capital assets	(3,614,994)	(2,119,080)	0	(5,734,074)
Proceeds from issuance of long-term debt	1,757,415	149,463	0	1,906,878
Repayment of short-term notes	0	0	0	0
Repayment of long-term debt	(747,191)	(650,493)	0	(1,397,684)
Collections on special assessments	(21,295)	(20,381)	0	(41,676)
Increase in capital asset payable	0	0	0	0
Interest paid	(668,182)	(534,585)	0	(1,202,767)
Net cash used in capital and related financing activities	<u>(1,063,359)</u>	<u>(3,142,251)</u>	<u>0</u>	<u>(4,205,610)</u>
<b>Cash flows from investing activities</b>				
Interest received	462,213	429,415	0	891,628
Proceeds on sale of investments	9,076,216	24,006,270	0	33,082,486
Purchases of investments	(8,860,997)	(22,886,349)	0	(31,747,346)
Net cash provided by investing activities	<u>677,432</u>	<u>1,549,336</u>	<u>0</u>	<u>2,226,768</u>
Increase (decrease) in cash and cash equivalents	366,745	(260,872)	0	105,873
Cash and cash equivalents - beginning of the year	<u>1,438,640</u>	<u>1,548,467</u>	<u>0</u>	<u>2,987,107</u>
Cash and cash equivalents - end of year	<u>\$ 1,805,385</u>	<u>\$ 1,287,595</u>	<u>\$ 0</u>	<u>\$ 3,092,980</u>
Restricted cash	<u>\$ 418,844</u>	<u>\$ 552,583</u>	<u>\$ 0</u>	<u>\$ 971,427</u>
Unrestricted cash	<u>\$ 1,386,541</u>	<u>\$ 735,012</u>	<u>\$ 0</u>	<u>\$ 2,121,553</u>



**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Operating loss	\$ (299,871)	\$ (1,235,342)	\$ 0	\$ (1,535,213)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,132,963	2,045,075	0	3,178,038
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	(19,784)	46,103	0	26,319
Inventory	(36,871)	(35,653)	0	(72,524)
Other assets	(14,023)	59,929	0	45,906
Accounts payable-trade	19,460	353,420	0	372,880
Accrued payroll and related taxes	6,145	9,750	0	15,895
Amounts due to others	(35,347)	88,761	0	53,414
Total adjustments	<u>1,052,543</u>	<u>2,567,385</u>	<u>0</u>	<u>3,619,928</u>
Net cash provided by operations	<u>\$ 752,672</u>	<u>\$ 1,332,043</u>	<u>\$ 0</u>	<u>\$ 2,084,715</u>



**NORTHWESTERN WATER AND SEWER DISTRICT**  
**NET ASSETS**  
**LAST SIX YEARS**  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in Capital Assets, Net of Related Debt	\$70,996	\$66,996	\$61,550	\$59,024	\$56,752
Restricted	3,809	2,896	2,500	2,307	3,443
Unrestricted	<u>14,838</u>	<u>16,981</u>	<u>19,564</u>	<u>17,886</u>	<u>12,894</u>
Total Net Assets	\$89,643	\$86,873	\$83,614	\$79,217	\$73,089

Data for years 2001 – 1997 not available



**NORTHWESTERN WATER AND SEWER DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST SIX YEARS**  
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses:</b>					
Water	\$3,949	\$3,291	\$3,103	\$2,511	\$2,460
Sewer	<u>4,810</u>	<u>4,056</u>	<u>3,845</u>	<u>3,625</u>	<u>3,222</u>
Total Expenses	\$8,759	\$7,347	\$6,948	\$6,136	\$5,682
<b>Program Revenues:</b>					
Water	\$3,201	\$2,991	\$2,633	\$2,290	\$2,089
Sewer	<u>3,323</u>	<u>2,820</u>	<u>2,762</u>	<u>2,931</u>	<u>2,864</u>
Total Program Revenues	<u>\$6,524</u>	<u>\$5,811</u>	<u>\$5,395</u>	<u>\$5,221</u>	<u>\$4,953</u>
Total Net Expense	\$(2,235)	\$(1,536)	\$(1,553)	\$(915)	\$(729)
<b>Other Changes In Net Assets</b>					
Nonoperating Revenues (Expenses)	\$(183)	\$(335)	\$(98)	\$(497)	\$(261)
Aid In Construction	<u>5,187</u>	<u>5,130</u>	<u>6,048</u>	<u>7,541</u>	<u>5,710</u>
Total Other Changes In Net Assets	\$5,004	\$4,795	\$5,950	\$7,044	\$5,449
Change In Net Assets	\$2,769	\$3,259	\$4,397	\$6,129	\$4,720

Data for years 2001 – 1997 not available



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER USER RATES  
LAST TEN YEARS**

---

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Collection Only</u>	<u>Collection &amp; Treatment</u>
2006	\$9.40	\$18.80	\$10.86	\$27.13
2005	8.95	17.90	10.34	25.84
2004	8.52	17.05	9.85	24.61
2003	8.52	17.05	9.85	22.37
2002	8.11	16.24	9.38	21.30
2001	7.73	15.47	8.94	20.29
2000	7.36	14.73	8.51	19.32
1999	7.36	14.73	8.51	19.32
1998	7.36	14.73	8.51	19.32
1997	7.01	14.03	8.10	18.40

(1) Per 1,000 cubic feet of water consumption or measured sewer consumption

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER USER RATES  
LAST TEN YEARS**

---

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1) Distribution</u>
	<u>Monthly</u>	<u>Quarterly</u>	
2006	\$6.48	\$12.96	\$4.49
2005	6.23	12.46	4.32
2004	5.99	11.98	4.15
2003	5.76	11.52	3.99
2002	5.14	10.28	3.56
2001	4.59	9.18	3.18
2000	4.10	8.20	2.84
1999	4.10	8.20	2.84
1998	4.10	8.20	2.84
1997	3.90	7.80	2.70

(1) Per 1,000 cubic feet of water consumption

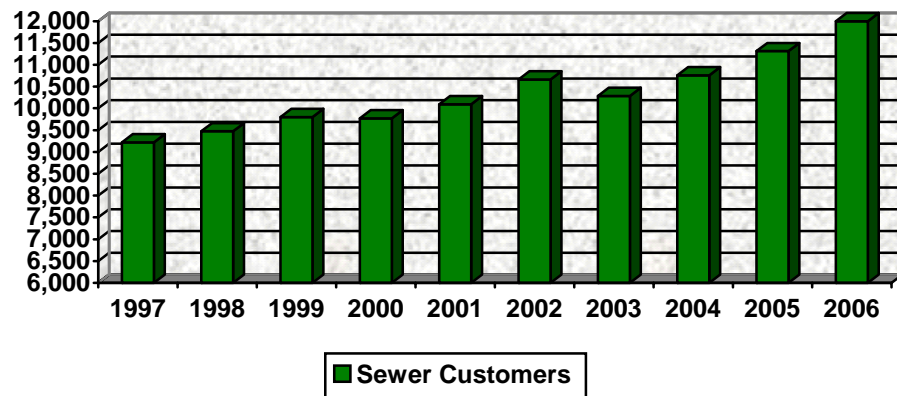
Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
HISTORICAL SEWER CUSTOMERS & WATER CONSUMPTION  
LAST TEN YEARS**

---

<u>Year</u>	<u>Average Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
1997	9,220	3,302	1,205,113
1998	9,474	3,555	1,297,606
1999	9,799	3,786	1,381,954
2000	9,769	3,701	1,350,954
2001	10,091	3,816	1,392,858
2002	10,664	3,889	1,419,634
2003	10,283	4,006	1,462,233a)
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500
2006	11,999	3,784	1,381,254b)



- a) In 2003 as part of a legal settlement, approximately 600 customers were given to the City of Perrysburg.
- b) District acquired the Villages of Bardstown and Weston adding about 550 customers.

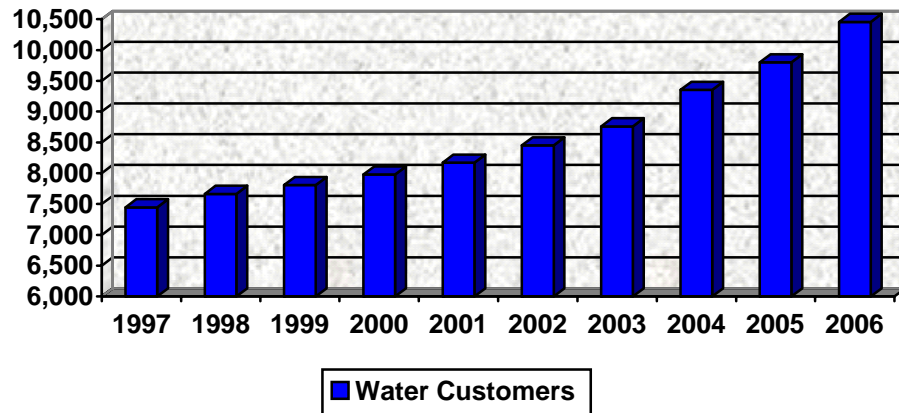
Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
HISTORICAL WATER CUSTOMERS & WATER CONSUMPTION  
LAST TEN YEARS**

---

<u>Year</u>	<u>Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
1997	7,447	4,140	1,510,943
1998	7,664	4,667	1,703,334
1999	7,806	4,461	1,628,170
2000	7,978	4,206	1,535,324
2001	8,170	4,116	1,502,246
2002	8,449	3,979	1,452,430
2003	8,756	4,059	1,481,478
2004	9,353	3,966	1,447,600
2005	9,799	3,935	1,436,400
2006	10,455	3,891	1,420,874a)



a) District acquired the Villages of Bardstown and Weston adding about 550 customers.

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST SEWER CUSTOMERS  
AS OF DECEMBER 31, 2006**

---

<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Charter Steel	45,250	\$65,810	2.15%
2. Daimler Chrysler	38,107	58,587	1.91
3. Pre Finished Metals	37,940	55,067	1.80
4. Walnut Hills Mobile Home Park	37,826	50,687	1.65
5. Friendly Village I and II MHP	31,407	45,692	1.49
6. Norplas	23,184	33,537	1.09
7. Holiday Inn Perrysburg Twp	13,893	20,321	.66
8. Perry Lake Village	11,662	12,691	.41
9. Troy Villa MHP	10,955	15,993	.52
10. Eastpointe On The Mall Apt	10,741	15,933	.52
Total	260,965	\$374,318	12.20%

Source: District accounting records





**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST WATER CUSTOMERS  
AS OF DECEMBER 31, 2006**

---

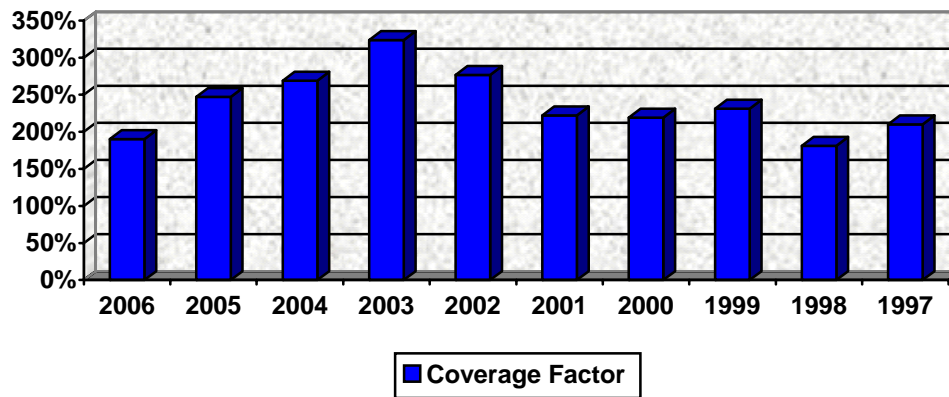
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Total Billed</u>	<u>% of Total System Revenue</u>
1. Charter Steel	100,542	\$ 61,440	2.14%
2. Hunt Wesson	76,374	48,826	1.70
3. DaimlerChrysler	63,138	43,764	1.53
4. Prefinished Metals	46,361	29,427	1.03
5. Walnut Hills Mobile Home Park	35,018	21,855	.76
6. Commercial Aluminum Cookware	33,219	22,006	.77
7. Friendly Village I and II MHP	31,407	23,447	.82
8. Holiday Inn Perrysburg Twp	13,893	8,640	.30
9. Perry Lake Village	11,662	5,876	.21
10. Troy Villa Mobile Home Park	<u>10,955</u>	<u>7,432</u>	<u>.26</u>
TOTAL	422,569	\$272,713	9.52%

Source: District accounting records



## NORTHWESTERN WATER AND SEWER DISTRICT COMPUTATION OF REVENUE DEBT COVERAGE RATIOS LAST TEN YEARS

<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Operating Expense (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor (3)</u>
2006	\$ 8,579,544	\$ 5,358,029	\$ 3,221,551	\$ 1,693,456	190%
2005	7,954,716	4,219,005	3,735,711	1,513,114	247%
2004	7,581,405	3,965,478	3,615,927	1,345,569	269%
2003	7,031,171	3,525,989	3,505,182	1,082,625	324%
2002	6,831,468	3,338,421	3,174,828	1,144,255	277%
2001	5,854,707	3,319,320	2,535,387	861,884	222%
2000	5,446,503	3,297,418	2,149,085	981,292	219%
1999	5,530,052	3,136,876	2,393,176	1,035,081	231%
1998	5,217,546	2,996,774	2,220,772	1,224,176	181%
1997	4,403,366	2,719,448	1,683,918	800,603	210%



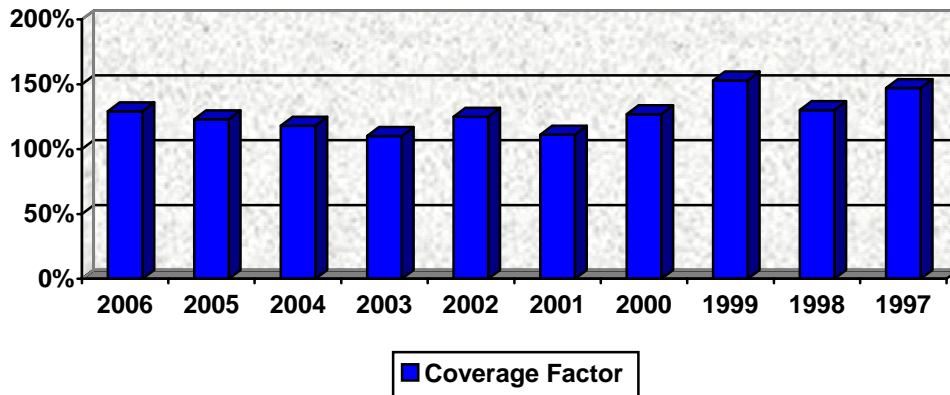
- (1) Includes water and sewer revenues. Also includes System Development Fees which were accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement.
- (2) Excludes depreciation expense.
- (3) Revenue bonds require 115% coverage and Board Policy requires 150% coverage.

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
COMPUTATION OF SPECIAL ASSESSMENT  
AND RELATED DEBT COVERAGE RATIOS  
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Special Assessments Collections</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor</u>
2006	\$1,512,255	\$1,173,318	129%
2005	\$1,433,680	\$1,164,343	123%
2004	\$1,036,820	\$ 880,803	118%
2003	\$ 956,567	\$ 871,841	110%
2002	\$ 758,409	\$ 605,184	125%
2001	\$ 729,115	\$ 654,335	111%
2000	\$ 621,726	\$ 488,605	127%
1999	\$ 575,823	\$ 377,086	153%
1998	\$ 463,258	\$ 357,724	130%
1997	\$ 534,859	\$ 364,397	147%



Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2006**

Year	Revenue Debt			Special Assessment Debt			% of Debt Service	
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes	Totals	Remaining
2007	\$457,949	\$132,671	\$318,511	\$74,626	\$37,927	\$367,529	\$1,389,213	93.27%
2008	421,293	21,440	317,260	74,626	25,285	363,396	1,225,308	87.35%
2009	380,162	21,440	315,147	74,626	25,285	362,747	1,181,416	81.63%
2010	380,162	21,440	317,468	74,626	25,285	363,924	1,184,915	75.90%
2011	380,162	21,440	315,092	74,626	25,285	361,206	1,179,822	70.20%
2012	380,162	21,440	321,553	74,626	25,285	350,258	1,175,336	64.52%
2013	380,162	21,440	318,476	74,626	25,285	356,998	1,179,000	58.82%
2014	380,162	4,142	315,271	74,626	25,285	353,783	1,155,283	53.23%
2015	301,064	4,142	316,406	74,626	25,285	348,855	1,072,393	48.05%
2016	301,064	4,142	317,618	74,626	25,285	347,536	1,072,287	42.86%
2017	301,064	4,142	317,840	74,626	25,285	348,331	1,073,305	37.68%
2018	301,064	4,142	318,224	74,626	25,285	550,825	1,276,184	31.51%
2019	301,064	4,142	318,408	74,626	0	326,544	1,026,803	26.54%
2020	301,064	4,142	317,525	74,626	0	294,233	993,610	21.74%
2021	69,878	4,142	315,949	37,313	0	284,297	713,600	18.29%
2022	69,878	4,142	318,914	0	0	282,463	677,419	15.02%
2023	69,878	4,142	316,848	0	0	136,811	529,702	12.47%
2024-28	61,764	4,142	888,692	0	0	175,043	1,129,641	7.00%
2029-33	0	0	863,619	0	0	64,202	927,821	2.50%
2034-38	0	0	259,171	0	0	0	259,171	1.25%
2039-43	0	0	214,561	0	0	0	214,561	0.21%
2044	0	0	42,903	0	0	0	42,903	0.00%
<b>Totals</b>	<b>\$5,237,996</b>	<b>\$306,873</b>	<b>\$7,665,456</b>	<b>\$1,082,077</b>	<b>\$316,062</b>	<b>\$6,038,981</b>	<b>\$20,647,445</b>	

OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2006**

Year	Revenue Debt			Special Assessment Debt		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2007	\$142,248	\$9,706	\$549,128	\$558,145	\$256,284	\$1,515,511	92.60%
2008	142,248	9,706	551,875	558,145	254,770	1,518,752	85.19%
2009	142,248	9,706	541,053	558,145	247,976	1,501,137	77.87%
2010	142,248	9,706	535,593	558,145	284,264	1,531,966	70.40%
2011	142,248	9,706	523,808	558,145	245,177	1,481,095	63.17%
2012	142,248	9,706	478,219	558,145	242,258	1,432,588	56.19%
2013	142,248	9,706	467,385	558,145	240,826	1,420,323	49.26%
2014	142,248	9,706	455,665	558,145	239,533	1,407,311	42.40%
2015	142,248	9,706	449,501	558,145	243,160	1,404,775	35.55%
2016	142,248	9,706	443,221	311,498	283,307	1,191,996	29.74%
2017	142,248	9,706	420,890	64,851	264,287	903,999	25.33%
2018	142,248	9,706	419,128	64,851	266,305	904,256	20.97%
2019	118,083	9,706	406,866	64,851	197,670	799,195	17.03%
2020	93,919	9,706	398,326	64,851	160,021	728,843	13.48%
2021	32,616	9,706	260,128	32,426	156,887	493,784	11.08%
2022	32,616	9,706	264,342	0	155,557	464,243	8.82%
2023	32,616	9,706	262,283	0	150,375	457,003	6.60%
2024-28	68,469	14,559	796,496	0	120,207	999,731	1.72%
2029-33	0		352,153	0	0	352,153	0.00%
<b>Totals</b>	<b>\$2,085,295</b>	<b>\$179,561</b>	<b>\$8,576,060</b>	<b>\$5,626,633</b>	<b>\$4,008,864</b>	<b>\$20,476,413</b>	

OWDA – Ohio Water Development Authority

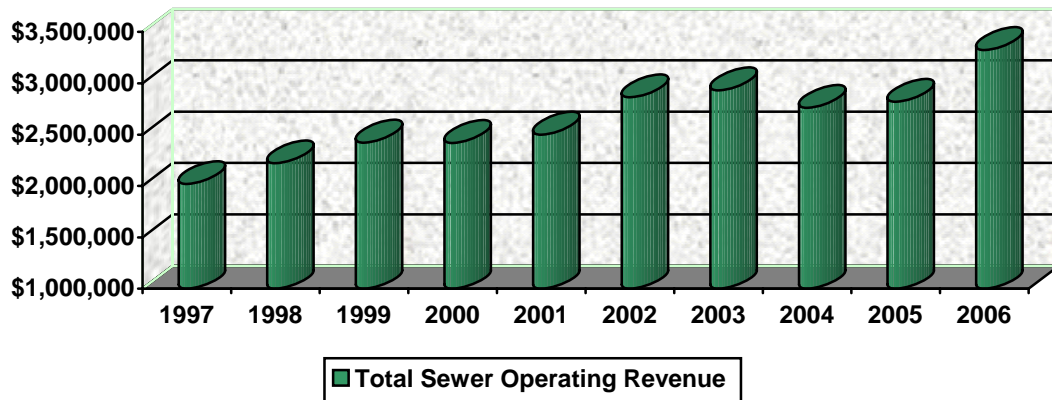
OPWC – Ohio Public Works Commission

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER OPERATING REVENUES BY SOURCE  
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Wastewater Revenue</u>	<u>Fees &amp; Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2006	\$3,067,499	\$ 85,020	\$113,384	\$ 56,969	\$3,322,872	17.8%
2005	2,555,120	106,071	94,481	64,749	2,820,421	2.1%
2004	2,506,712	102,313	89,853	62,653	2,761,531	-5.8%
2003	2,626,460	132,897	123,597	47,859	2,930,813	2.3%
2002	2,650,090	91,740	78,463	43,366	2,863,659	14.5%
2001	2,343,220	60,363	87,641	9,869	2,501,093	3.4%
2000	2,227,816	80,942	90,312	18,430	2,417,500	-.1%
1999	2,285,951	73,059	54,814	7,282	2,421,106	9.0%
1998	2,072,804	88,217	41,691	17,732	2,220,444	10.0%
1997	1,842,239	91,237	44,543	40,411	2,018,430	-11.8%

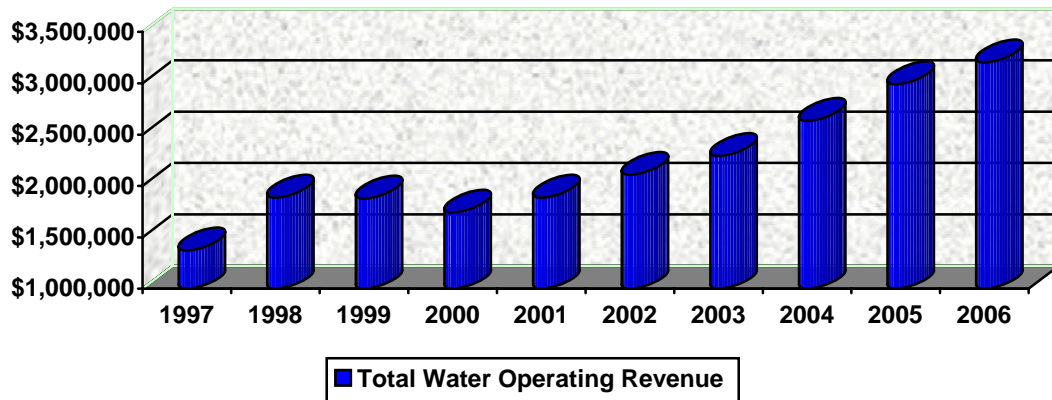


Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER OPERATING REVENUES BY SOURCE  
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Fees &amp; Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2006	\$2,865,069	\$200,717	\$71,491	\$64,212	\$3,201,489	7.3%
2005	2,551,188	293,917	89,253	56,684	2,991,042	13.6%
2004	2,148,309	367,519	81,860	35,527	2,633,215	15.0%
2003	1,977,300	244,012	39,166	29,090	2,289,568	8.6%
2002	1,848,210	193,367	21,059	45,409	2,108,045	11.7%
2001	1,686,081	113,600	24,104	62,971	1,886,756	8.4%
2000	1,569,513	119,993	28,231	23,358	1,741,095	-7.2%
1999	1,656,098	149,003	1,750	69,810	1,876,661	-0.5%
1998	1,555,070	201,617	2,214	126,391	1,885,292	37.3%
1997	1,255,200	96,158	2,626	19,332	1,373,316	-28.0%

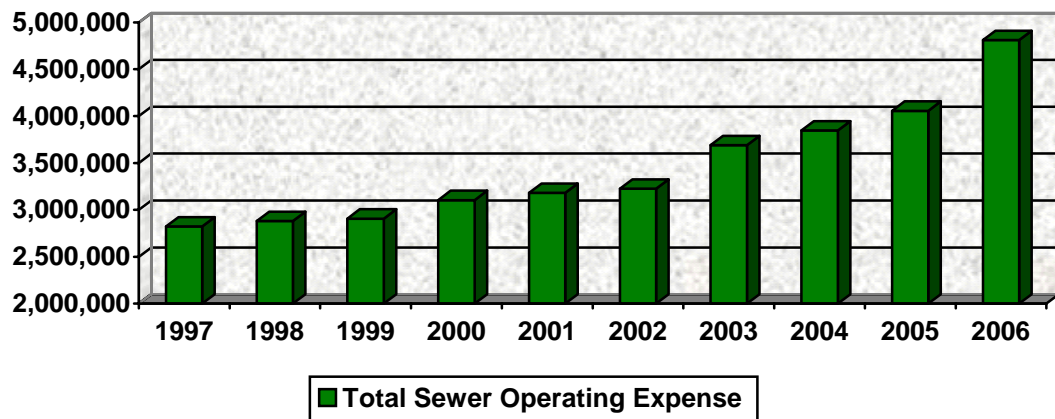


Source: District accounting records



## NORTHWESTERN WATER AND SEWER DISTRICT SEWER OPERATING EXPENSE BY TYPE LAST TEN YEARS

<u>Fiscal Year</u>	<u>Salaries &amp; Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Materials &amp; Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2006	\$1,140,171	\$414,550	\$310,753	\$322,584	\$292,626	\$2,139,374	\$190,331	\$4,810,389	18.6%
2005	866,327	321,284	234,151	260,761	161,296	2,045,075	166,869	4,055,763	5.5%
2004	840,330	293,969	257,240	197,328	155,420	1,931,228	169,796	3,845,311	4.3%
2003	823,718	291,562	224,522	247,774	162,098	1,765,517	170,231	3,685,422	14.3%
2002	638,814	271,917	335,408	231,182	142,800	1,501,058	104,867	3,226,046	1.4%
2001	632,814	243,299	312,339	238,137	141,835	1,437,583	174,405	3,180,412	2.5%
2000	621,345	217,108	405,642	225,191	134,868	1,393,015	106,780	3,103,949	6.8%
1999	567,567	213,404	278,638	229,131	116,658	1,443,385	57,544	2,906,327	.9%
1998	621,029	221,791	263,827	223,417	124,837	1,414,087	12,681	2,881,669	2.1%
1997	606,063	178,921	221,151	155,402	139,359	1,444,951	76,356	2,822,203	.6%



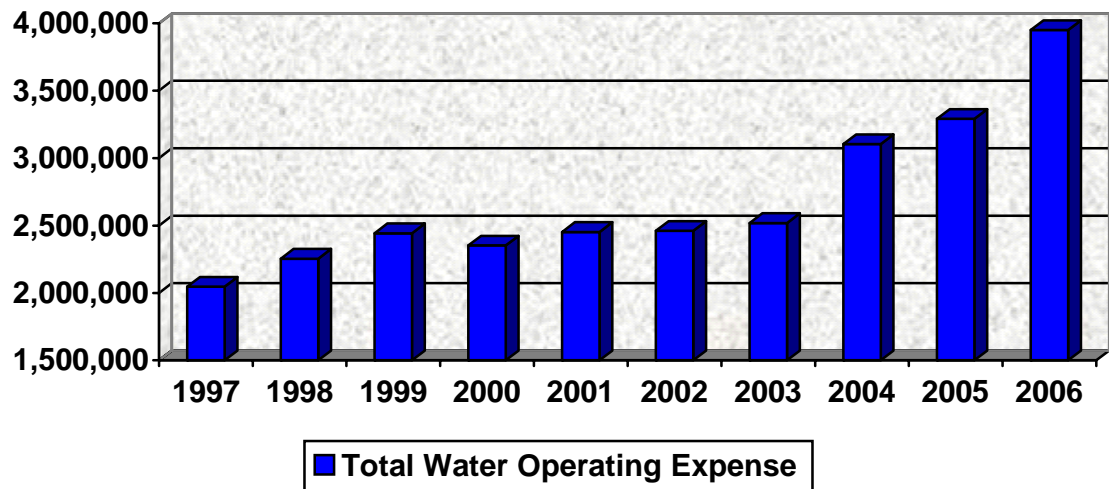
Source: District accounting records





## NORTHWESTERN WATER AND SEWER DISTRICT WATER OPERATING EXPENSE BY TYPE LAST TEN YEARS

<u>Fiscal Year</u>	<u>Salaries &amp; Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Purchased Water</u>	<u>Materials &amp; Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2006	\$663,157	\$250,007	\$124,792	\$917,580	\$413,439	\$168,347	\$1,262,110	\$149,692	\$3,949,124	20.0%
2005	534,005	205,864	117,852	724,558	309,541	122,596	1,132,963	143,534	3,290,913	6.0%
2004	478,590	186,742	139,556	624,052	396,242	112,360	1,051,791	113,853	3,103,186	23.2%
2003	479,754	183,524	120,011	558,713	158,696	112,248	836,178	69,899	2,519,023	2.4%
2002	392,709	169,913	150,837	528,894	198,582	111,029	842,693	65,432	2,460,089	.3%
2001	397,605	149,828	107,408	599,660	226,296	119,404	793,319	58,618	2,452,138	4.3%
2000	383,769	133,250	193,302	495,316	244,258	85,449	764,849	51,140	2,351,333	-3.8%
1999	331,414	134,123	242,332	466,755	320,647	139,548	769,470	39,121	2,443,410	8.4%
1998	354,317	142,029	182,664	441,945	236,454	123,449	724,327	48,333	2,253,518	10.1%
1997	348,238	102,271	143,753	336,285	235,866	124,395	704,259	51,388	2,046,455	3.3%



Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER NON-OPERATING REVENUES BY SOURCE  
LAST TEN YEARS**

---

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2006	\$507,988	\$2,808,702	\$ 79,985	\$3,396,675
2005	429,415	2,517,442	0	2,946,857
2004	329,603	2,438,868	275,017 (2)	3,043,488
2003	334,772	4,501,078	0	4,835,850
2002	272,677	3,826,779	0	4,099,456
2001	305,337	0	0	305,337
2000	362,960	0	0	362,960
1999	228,376	0	0	228,376
1998	220,419	0	0	220,419
1997	165,325	0	0	165,325

(1) Aid-In-Construction is accounted for on the balance sheet through 2001. Starting with 2002, GASB 33 requires Aid-In-Construction be shown on the Statements of Revenues, Expenses and Changes in Net Assts.

(2) In 2004 the District sold its former operations facility

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER NON-OPERATING REVENUES BY SOURCE  
LAST TEN YEARS**

---

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2006	\$ 525,414	\$2,378,917	\$ 17,571	\$2,921,902
2005	462,213	2,612,560	5,451	3,080,224
2004	408,849	3,609,049	3,560	4,021,458
2003	304,945	3,040,090	0	3,345,035
2002	356,621	1,883,509	0	2,240,130
2001	363,547	0	0	363,547
2000	396,695	0	0	396,695
1999	353,921	0	0	353,921
1998	363,317	0	0	363,317
1997	358,922	0	0	358,922

(1) Aid-In-Construction is accounted for on the balance sheet through 2001. Starting with 2002, GASB 33 requires Aid-In-Construction be shown on the Statements of Revenues, Expenses and Changes in Net Assts.

Source: District accounting records

## WOOD COUNTY POPULATION IN INCORPORATED AREAS

Wood County, formed in 1820, is located in northwestern Ohio, almost directly south of Toledo, and covers an area of 619 square miles. The County is comprised of 19 townships, 5 cities and 21 villages, and the County seat is Bowling Green, Ohio. According to the 2000 Census, the population of Wood County is 121,065. Bowling Green is the largest subdivision with a population of 29,636. The northern part of the County is largely industrial; the remainder is primarily agricultural except for industry located in various cities and villages.

(1990 census and 2000 census)

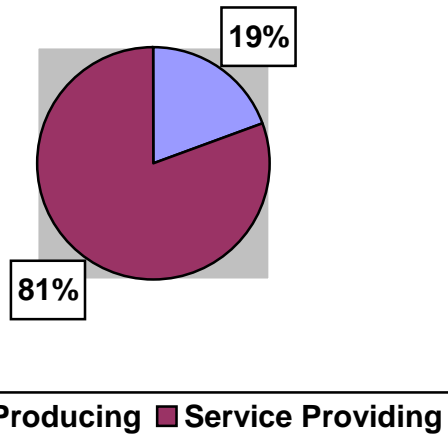
	<u>1990</u>	<u>2000</u>
Bairdstown	130	130
Bloomdale	632	724
Bowling Green	28,176	29,636
Bradner	1,093	1,171
Custar	209	208
Cygnets	560	564
Fostoria*	659	842
Grand Rapids	955	1,002
Haskins	549	638
Hoytville	301	296
Jerry City	517	453
Luckey	848	998
Millbury	1,081	1,161
Milton Center	200	195
North Baltimore	3,139	3,361
Northwood	5,506	5,471
Pemberville	1,279	1,365
Perrysburg	12,551	16,945
Portage	469	428
Risingsun	659	620
Rossford	5,861	6,406
Tontogany	364	364
Walbridge	2,736	2,546
Wayne	803	842
West Millgrove	171	78
Weston	<u>1,716</u>	<u>1,679</u>
	71,164	78,123
Population in unincorporated areas	42,105	42,942
Total County population	113,269	121,065

\*only that portion of Fostoria in Wood County

Source: U.S. Census Bureau

**NONAGRICULTURAL EMPLOYMENT**  
 Toledo Primary Metropolitan Statistical Area  
 (includes Wood County)  
 At December 31, 2006

	<u><b>Employment</b></u>
Goods-Producing Industries	65,000
Natural Resources, Mining and Construction	14,700
Manufacturing	50,300
Durable Goods	36,900
Transportation Equipment	5,900
Nondurable Goods	13,400
Service-Providing Industries	271,000
Trade, Transportation and Utilities	67,400
Information	4,200
Financial Activities	12,800
Professional and Business Services	35,100
Educational and Health Services	51,600
Leisure and Hospitality	32,300
Other Services	15,100
Government	52,500



Source: Ohio Bureau of Employment Services, Labor Market Review

**The ten largest employers in Wood County**  
At December 31, 2006

<b><u>Employer</u></b>	<b><u>Number of Employees</u></b>
1. Bowling Green State University	5,361
2. DaimlerChrysler	1,647
3. Owens Community College	1,525
4. Wood County	1,221
5. Cooper Standard Automotive	1,049
6. Rudolph-Libbe Companies	900
7. Norplas Industries	700
8. NFO Market Research	625
9. OI	550
10. Great Lakes Window	500

Source: Wood County Economic Development Commission

**EMPLOYMENT STATISTICS**  
**WOOD COUNTY**  
 At December 31

The following table lists the unemployment rates for the United States, the State of Ohio, and Wood County for the past five years. The figures are expressed in percentages and represent the ratio of the total unemployed to the total labor force.

<u>Year</u>	<u>United States</u>	<u>State of Ohio</u>	<u>County</u>
2002	5.8	5.7	4.8
2003	6.0	6.1	5.4
2004	5.4	5.9	5.3
2005	4.9	5.5	5.3
2006	4.3	5.4	5.0

The chart below provides employment data for Wood County for the last five years.

Labor Force Statistics - Wood County

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2002	68,700	65,400	3,300	4.8
2003	68,000	64,400	3,600	5.3
2004	65,600	62,100	3,500	5.3
2005	66,000	62,100	3,900	5.3
2006	69,000	65,500	3,400	5.0

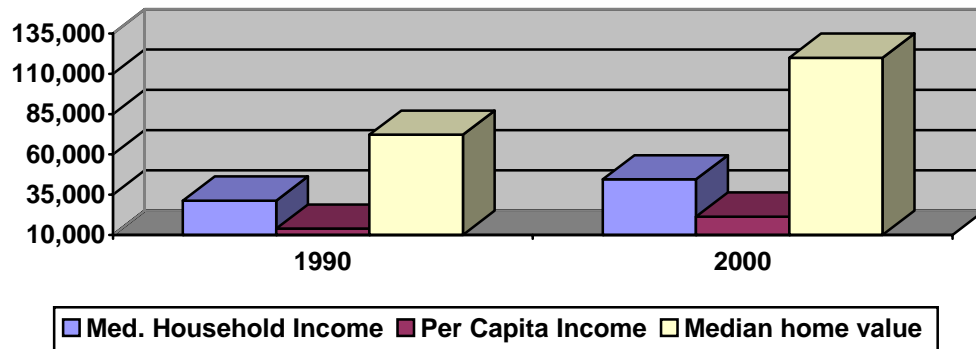
Source: Ohio Bureau of Employment Services  
 Figures are not seasonally adjusted

## Income and Housing Data

The following shows the Median Household, Per Capita Income and Median Value of Owner-Occupied Housing Units for 1990 and 2000 for Wood County in comparison to the State of Ohio and the United States:

	<u>Wood County</u>	<u>State of Ohio</u>	<u>United States</u>
1990 Median Household Income	\$31,197	\$28,706	\$30,056
1990 Per Capita Income	13,853	13,461	14,420
1990 Median Home Value	72,200	63,500	79,100
2000 Median Household Income	44,442	40,956	42,148
2000 Per Capita Income	21,284	21,003	21,893
2000 Median Home Value	120,000	103,700	120,496

### Wood County



Source: U.S. Census Bureau



**BANKING**  
At December 31

The following table presents the Bank Deposits of commercial banks headquartered in the County for the last five years:

<u>Year</u>	<u>Number of Banks</u>	<u>Deposits</u>
2002	2	144,046,000
2003	2	135,302,000
2004	1	90,852,000
2005	1	68,628,000
2006	0	0

Source: Federal Reserve Bank of Cleveland



**NORTHWESTERN WATER AND SEWER DISTRICT  
DEMOGRAPHICS STATISTICS  
DECEMBER 31, 2006**

---

**WATER SYSTEM**

Miles of Potable Water Main	295
Total Water Connections	9,799
Number of Fire Hydrants	2,756
Number of WaterShed/Bulk Water Stations	5

**SEWER SYSTEM**

Miles of Sewer Lines	227
Total Sewer Connections	11,313
Number of Pump Stations	43
Number of Treatment Plants	3
Number of Manholes	3,752

**GENERAL INFORMATION**

Population Served (Estimated)	30,000
Number of Employees	45

Source: Northwestern Water and Sewer District

# GILMORE, JASION & MAHLER, LTD

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Board of Trustees  
Northwestern Water & Sewer District  
Bowling Green, Ohio

We have audited the financial statements of Northwestern Water & Sewer District as of and for the year ended December 31, 2006, and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwestern Water & Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwestern Water & Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northwestern Water & Sewer District's internal control over financial reporting.

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern Water & Sewer District's financial statements are free of 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*.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Charles F. Heid, CPA

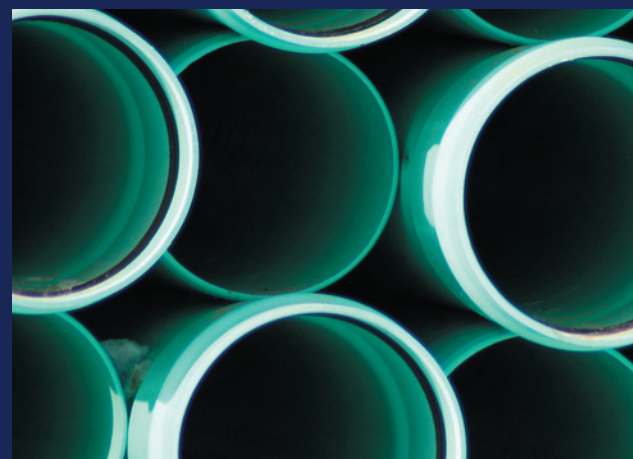
This report is intended solely for the information and use of the audit committee, finance committee, board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilmore, Jason & Mahler, LTD*

June 21, 2007



12560 Middleton Pike  
Bowling Green, OH 43402  
419-354-9090 • 877-354-9090  
[www.nwwsd.org](http://www.nwwsd.org)







**Mary Taylor, CPA**  
Auditor of State

**NORTHWESTERN WATER AND SEWER DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 11, 2007**