



Comprehensive Annual Financial Report  
For the year ended December 31, 2007



# **NORTHWESTERN WATER & SEWER DISTRICT**

A Political Subdivision of the State of Ohio





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwestern Water and Sewer District, Wood County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 8, 2008

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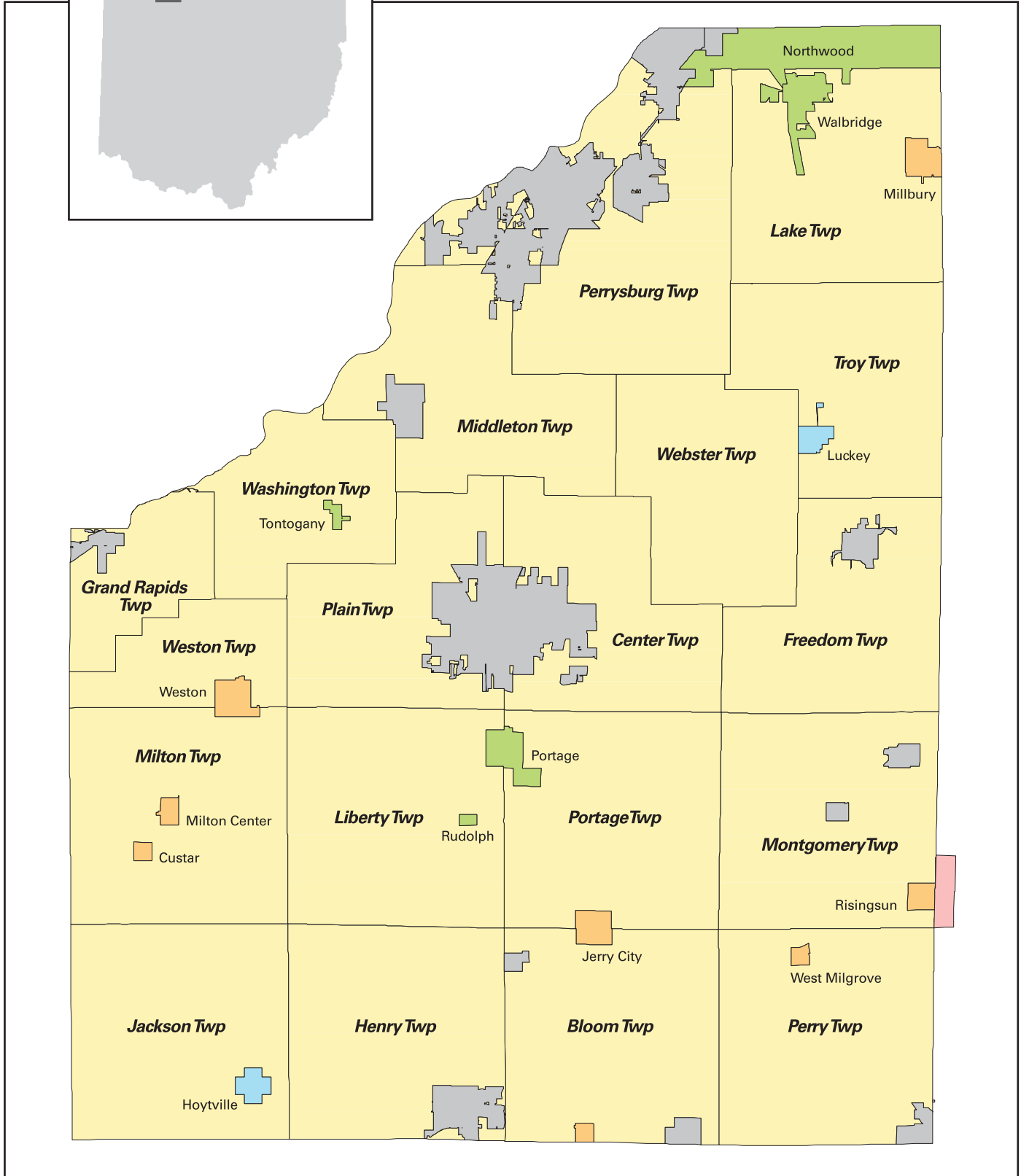
NORTHWESTERN WATER AND SEWER DISTRICT  
A POLITICAL SUBDIVISION OF THE  
STATE OF OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2007

SUBMITTED BY:

Finance Department

# 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





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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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June 20, 2008

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, 2007, is hereby submitted. This report follows guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). 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, 2006, 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, which 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 District's internal control system or its overall compliance with laws, the audit for the year ended December 31,

2007 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

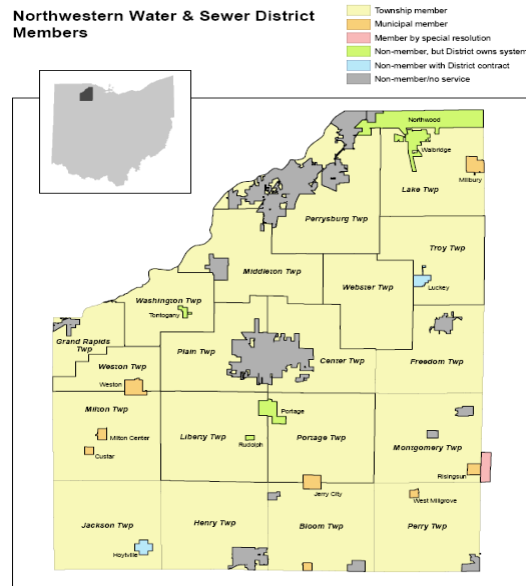
Finance Officers Association and are presented in compliance with the terms of the Continuing Disclosure Agreement in conjunction with the issuance of the Water Resource Improvement and Refunding Revenue Bonds, Series 2002.

## **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 District revenues 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 2006-07 school year, the university had 21,000 students, 966 full-time faculty as well as 19,151 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2007 Owens had a student enrollment of 45,000 in over 130 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.

## **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 statement 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 2006, and no insurance settlement has exceeded insurance coverage during the last three years. Note 9 to the audited financial statements disclose information about risk management.

In addition, the District's Safety Committee, which includes one Board member, analyzes worker's compensation issues by monitoring work conditions, and organizing and implementing safety training programs to reduce employee exposure to hazards.

### **Debt Administration**

At year-end, the District had debt outstanding of \$29,879,933. 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, 2006. This was the fourth 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 Risingsun

In September 2007, the District began construction of a sewer collection system and a wastewater treatment plant for the Village of Risingsun. The project cost is approximately \$5 million and will add around 325 new customers to the District's sewer customer base. Construction is expected to be complete by September 2008.



### Bates Road Pump Station Replacement

In 2007, the District replaced its Bates Road sewer pump station. The District has an ongoing plan to replace one major pumping station each year.

### Cuckle Creek Waterline

The District worked in 2007 to construct a new water line to serve the people in the Cuckle Creek Road area southeast of Bowling Green, Ohio. This project added 45 new water customers to the District's water customer base.

## INDEPENDENT AUDIT

Included in this report is an unqualified opinion rendered on the District's financial statements for the year ended December 31, 2007, 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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director



## DISTRICT OFFICIALS

DECEMBER 31, 2007

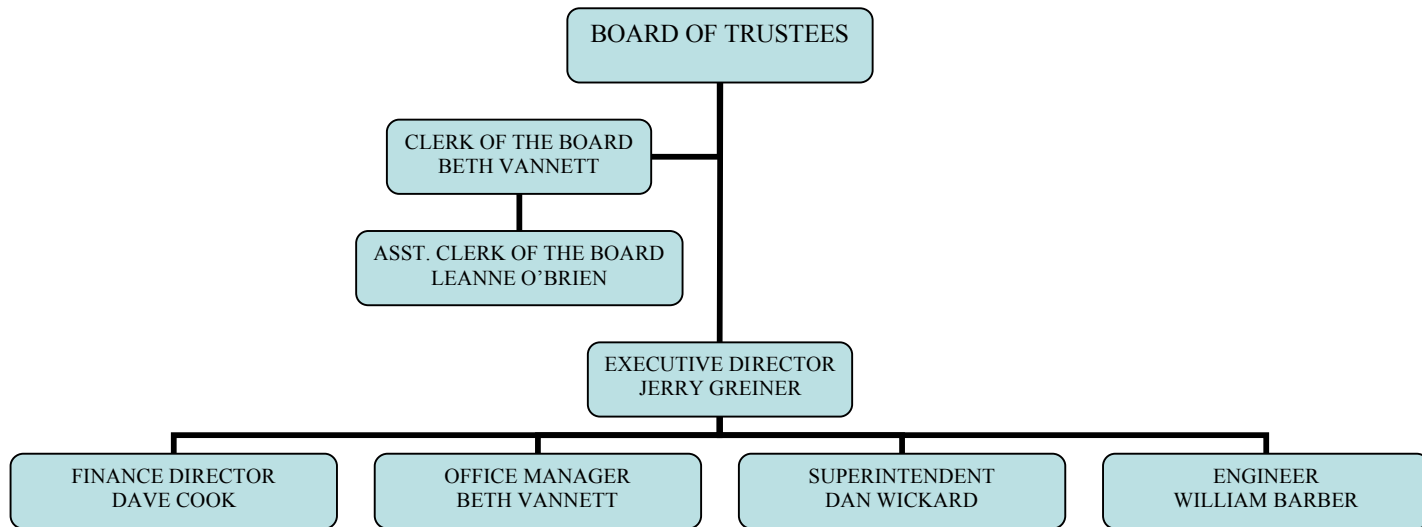
### Board of Trustees

<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
President.....	John Ault.....	7/21/92	12/31/12
Vice President.....	Alex Molner.....	1/16/97	12/31/12
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	12/31/12
Member.....	John A. Cheney.....	7/21/92	12/31/10
Member.....	William Hirzel.....	1/10/08	12/31/08
Member.....	Phillip Shaffer.....	9/14/95	12/31/10
Member.....	Melinda Kale.....	1/11/07	12/31/08

### 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, 2007



Number of Employees by Department	
Administration	2
Engineering	9
Operations	29
Finance	3
Office	6
<b>Total Employees December 31, 2007</b>	<b>49</b>

# 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, 2007 and 2006 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.

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, 2007 and 2006, 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 20, 2008 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 considered in assessing the results of our audit.

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

Kathi M. Iott, CPA

The management's discussion and analysis on pages F3 – F8 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 F32 – 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 20, 2008

## 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, 2007. 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 \$90,139,132 as of December 31, 2007.
- Net assets increased by \$496,276 in 2007.
- Of the increase in net assets, \$3,833,673 was attributable to investment in capital assets, net of related debt. The remaining change of a net decrease of \$3,337,397 was attributable to \$2,677,442 increase in restricted net assets and \$6,014,839 decrease in unrestricted assets.
- Debt increased \$1,682,563. Retirements of debt principal were \$1,422,864 and new issues of debt principal were \$3,105,427.

#### 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, \$74.8 million (83%) 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)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>			
				<u>2007/2006</u>			<u>2006/2005</u>
	<u>Amt</u>	<u>%</u>	<u>Amt</u>	<u>%</u>	<u>Amt</u>	<u>%</u>	<u>%</u>
<u>Assets</u>							
Current assets	\$13,960	\$13,949	\$16,269	\$ 11	0.1%	\$-2,320	-14.3%
Capital assets, net	98,176	95,334	91,092	2,842	3.0	4,242	4.7
Other non-current assets	10,717	10,461	8,728	256	2.4	1,733	19.9
<b>Total assets</b>	<b>122,853</b>	<b>119,744</b>	<b>116,089</b>	<b>3,109</b>	<b>2.6</b>	<b>3,655</b>	<b>3.1</b>
<u>Liabilities</u>							
Current liabilities	7,375	3,481	3,877	3,894	111.9	-396	-10.2
Long-term debt	25,339	26,621	25,338	-1,282	-4.8	1,283	5.1
<b>Total liabilities</b>	<b>32,714</b>	<b>30,102</b>	<b>29,215</b>	<b>2,612</b>	<b>8.7</b>	<b>887</b>	<b>3.0</b>
<u>Net assets</u>							
Invested in capital assets	74,830	70,996	66,996	3,834	5.4	4,000	6.0
Restricted	6,486	3,809	2,896	2,677	70.3	913	31.5
Unrestricted	8,823	14,838	16,981	-6,015	-40.5	-2,143	-12.6
<b>Total net assets</b>	<b>\$90,139</b>	<b>\$89,643</b>	<b>\$86,873</b>	<b>\$ 496</b>	<b>0.6%</b>	<b>\$2,770</b>	<b>3.2%</b>

Net assets increased by \$496 thousands during 2007 and by \$2,770 thousands during 2006. The majority of this change was due to the following:

- Capital assets increased by \$6,244,138 offset by related depreciation increase of \$3,401,964 in 2007 and \$7,400,347 offset by related depreciation increased by \$3,158,235 in 2006 due mainly to construction of water and sewer lines.
- Short-term debt, including current portion of long-term debt increased by \$2,964,618 in 2007 related to borrowing for construction projects. Due to market conditions. The District elected to borrow short-term looking for a more favorable long-term borrowing climate in 2008.

**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)**

	2007	2006	2005	Change			
				2007/2006		2006/2005	
	Amt			Amt	%	Amt	%
Utility Revenue	\$6,667	\$5,932	\$5,106	\$735	12.4%	\$826	16.2%
Fees and Permit	313	286	400	27	9.4	-114	-28.5
Contract Services	265	185	184	80	43.2	1	0.5
Other	170	121	121	49	40.5	0	0.0
Non-Operating Revenue	<u>1,195</u>	<u>1,131</u>	<u>892</u>	<u>64</u>	<u>5.7</u>	<u>239</u>	<u>26.8</u>
<b>Total Revenues</b>	<b>8,610</b>	<b>7,655</b>	<b>6,703</b>	<b>955</b>	<b>12.5</b>	<b>952</b>	<b>14.2</b>
Depreciation & Amortization	3,596	3,401	3,178	195	5.7	223	7.0
Other Operating Expense	5,777	5,358	4,169	419	7.8	1,189	28.5
Non-Operating Expense	<u>1,327</u>	<u>1,314</u>	<u>1,226</u>	<u>13</u>	<u>1.0</u>	<u>88</u>	<u>7.2</u>
<b>Total Expenses</b>	<b>10,700</b>	<b>10,073</b>	<b>8,573</b>	<b>627</b>	<b>6.2</b>	<b>1,500</b>	<b>17.5</b>
Loss Before Aid In Construction	-2,090	-2,418	-1,870	328	13.6	-548	-29.3
Aid In Construction	<u>2,586</u>	<u>5,187</u>	<u>5,130</u>	<u>-2,601</u>	<u>-50.1</u>	<u>57</u>	<u>1.1</u>
<b>Changes in net assets</b>	<b>\$496</b>	<b>\$2,769</b>	<b>\$3,260</b>	<b>\$-2,273</b>	<b>-82.1%</b>	<b>\$-491</b>	<b>-15.1%</b>

Utility revenues increased in both 2007 and 2006 due to a combination of increased customer base and an increase in rates.

Non-operating revenues increased in 2007 by \$64,000 and increased in 2006 by \$239,000 reflecting the affect of increasing interest rates on the District's investments which leveled off in 2007.

Other Operating Expense increased by \$419,000 caused by an increase in operating costs related to 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 Accountant in 2007.

**NORTHWESTERN WATER & SEWER DISTRICT**

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

**Capital Assets**

At the end of 2007, the District had \$98,176,407 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$2.8 million, or 3.0% over 2006.

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

	2007	2006	Change	
			Amount	%
Land	\$ 411	\$ 411	\$ 0	0.0%
Construction in Progress	4,433	2,549	1,884	73.9
Water and Sewer Lines	79,626	79,947	-321	-0.4
Buildings, structures and improvements	11,685	10,731	954	8.9
Equipment	2,021	1,696	325	19.2
Totals	<u>\$98,176</u>	<u>\$95,334</u>	<u>\$2,842</u>	<u>3.0%</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 buildings.

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



## NORTHWESTERN WATER & SEWER DISTRICT

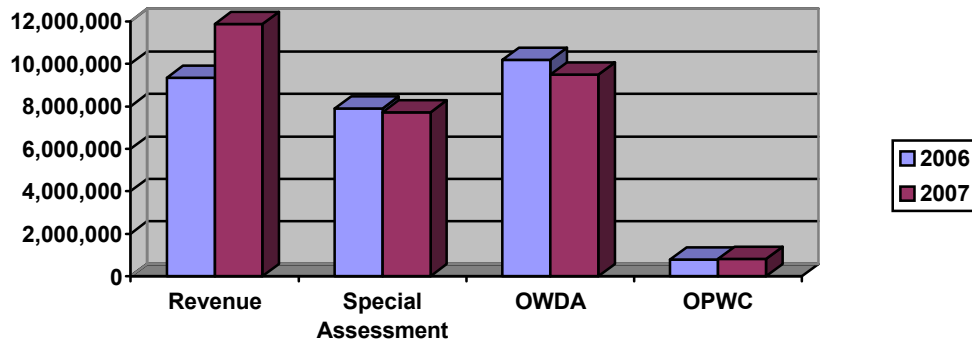
### Management's Discussion and Analysis (Unaudited)

#### Debt Administration

At December 31, 2007 the District had total debt outstanding of \$29,879,933 compared to \$28,197,372 at December 31, 2006. This represents an increase of \$1,682,561. During 2007 the District issued \$3,113,796 of new debt and repaid \$1,431,235 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)

	2007	2006
Revenue Bonds and Notes	\$11,860,928	\$ 9,340,431
Special Assessment Bonds and Notes	7,716,040	7,890,390
Ohio Water Development Authority Loans	9,490,837	10,179,633
Ohio Public Works Commission Loans	812,128	786,918
Total Debt	\$29,879,933	\$28,197,372



## **NORTHWESTERN WATER & SEWER DISTRICT**

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

#### **Economic Factors**

Based on a previous rate study, sewer rates were increased by 7% for 2007. Water rates were increased by 7%, effective January 1, 2007. Utility revenues for 2007 increased \$734,382 or 12.4% over 2006. In addition to the water rate increases were water volume increase in 2007 of 6.2% and a sewer volume decrease of 4.0% respectively. During 2007, a comprehensive rate study was performed resulting in Sewer rates scheduled to increase the base charge by 9.2% for 2008 and water rates will increase by 33.2% effective January 1, 2008 for an average customer. 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 2008, 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 is holding preliminary discussions with several municipalities about joining the District which could add 2,500 additional customers. CSX railroad has announced building an intermodal rail facility within the District's service territory during 2008.

#### **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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents-unrestricted (Note 2)	\$ 1,401,450	\$ 563,432
Cash and cash equivalents-restricted (Note 2)	4,680,076	1,934,374
Investments-unrestricted (Note 2)	2,186,757	5,971,447
Investments-restricted (Note 2)	1,806,211	1,874,471
Accounts receivable - trade	2,084,478	1,919,000
Current portion of special assessments	1,346,829	1,346,896
Inventory	389,656	285,842
Prepaid expenses	64,334	53,151
Total current assets	13,959,791	13,948,613
<b>Noncurrent assets</b>		
Capital assets (Note 3)		
Sewer and water lines	130,999,942	128,683,644
Buildings, pumps and lift stations	12,155,897	10,726,356
Machinery and equipment	2,998,031	2,495,589
Vehicles	1,444,556	1,376,771
Furniture and fixtures	224,607	224,607
Computer equipment	579,287	535,707
Improvements - Oregon waste water treatment plant	5,461,203	5,461,203
Total depreciable capital assets	153,863,523	149,503,877
Accumulated depreciation and amortization	(60,531,594)	(57,129,630)
Net depreciable capital assets	93,331,929	92,374,247
Land	411,357	411,357
Construction in progress	4,433,121	2,548,629
Net capital assets	98,176,407	95,334,233
Other assets		
Special assessments, less current portion	9,870,759	9,654,015
Reserve with county commissioners (Note 6)	258,351	258,769
Deferred loan costs, net of accumulated amortization of \$48,231 and \$40,553, respectively	47,064	50,446
Miscellaneous	540,683	498,230
Total other assets	10,716,857	10,461,460
Total noncurrent assets	108,893,264	105,795,693
Total assets	\$ 122,853,055	\$ 119,744,306

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

**NORTHWESTERN WATER & SEWER DISTRICT  
STATEMENTS OF NET ASSETS, CONTINUED  
December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt (Note 5)	\$ 4,541,402	\$ 1,576,784
Accounts payable - trade	1,178,456	466,589
Compensated absences payable (Note 8)	243,253	222,463
Accrued payroll and payroll taxes	196,812	182,555
Accrued interest payable	504,918	502,559
Accounts due others	710,551	529,912
Total current liabilities	7,375,392	3,480,862
Long-term debt, less current portion (Note 5)	25,338,531	26,620,588
Total liabilities	32,713,923	30,101,450
<b>Net assets</b>		
Invested in capital assets, net of related debt	74,829,825	70,996,152
Restricted	6,486,287	3,808,845
Unrestricted	8,823,020	14,837,859
Total net assets	\$ 90,139,132	\$ 89,642,856

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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating revenues</b>		
Utility revenue	\$ 6,666,950	\$ 5,932,568
Fees and permits	312,521	285,737
Contract services	265,006	184,875
Other	170,143	121,181
Total operating revenues	<u>7,414,620</u>	<u>6,524,361</u>
<b>Operating expenses</b>		
Depreciation and amortization	3,596,269	3,401,484
Labor	1,959,954	1,803,328
Employee benefits	740,568	664,557
Professional services	456,024	309,078
Purchased water and sewer treatment	1,150,704	1,044,047
Materials and supplies	739,195	844,422
Utilities	393,127	352,574
Rent	5,660	5,808
Other	331,279	334,215
Total operating expenses	<u>9,372,780</u>	<u>8,759,513</u>
Operating loss	(1,958,160)	(2,235,152)
<b>Nonoperating revenues (expenses)</b>		
Interest income	1,164,560	1,033,402
Interest expense	(1,327,230)	(1,314,011)
Other income	30,884	97,556
Net nonoperating expenses	<u>(131,786)</u>	<u>(183,053)</u>
<b>Aid in construction</b>	<u>2,586,222</u>	<u>5,187,619</u>
<b>Change in net assets</b>	496,276	2,769,414
<b>Net assets - beginning</b>	<u>89,642,856</u>	<u>86,873,442</u>
<b>Net assets - ending</b>	<u>\$ 90,139,132</u>	<u>\$ 89,642,856</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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Cash flows from operations</b>		
Cash received from customers	\$ 7,249,142	\$ 6,564,986
Cash payments to suppliers for goods and services	(2,372,958)	(3,411,565)
Cash payments to employees for services	(2,665,475)	(2,390,786)
Net cash provided by operations	2,210,709	762,635
 <b>Cash flows from capital and related financing activities</b>		
Aid in construction	716,115	235,459
Proceeds from capital grant	152,098	987,716
System development fees	780,395	924,225
Acquisition and construction of capital assets	(6,402,620)	(6,599,745)
Proceeds from sale of capital assets	39,521	164,201
Proceeds from issuance of long-term debt	3,105,427	2,750,962
Repayment of long-term debt	(1,422,864)	(1,594,634)
Collections on special assessments	720,937	637,811
Interest paid	(1,324,871)	(1,281,133)
Net cash used in capital and related financing activities	(3,635,862)	(3,775,138)
 <b>Cash flows from investing activities</b>		
Interest received	1,164,560	1,033,402
Proceeds on sale of investments	4,848,303	1,438,104
Purchases of investments	(1,003,990)	(54,177)
Net cash provided by investing activities	5,008,873	2,417,329
 Increase (decrease) in cash and cash equivalents	3,583,720	(595,174)
 Cash and cash equivalents - beginning of the year	2,497,806	3,092,980
 Cash and cash equivalents - end of year	\$ 6,081,526	\$ 2,497,806
 Restricted cash and cash equivalents	\$ 4,680,076	\$ 1,934,374
Unrestricted cash and cash equivalents	\$ 1,401,450	\$ 563,432

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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Cash flows from operations</b>		
Operating loss	\$ (1,958,160)	\$ (2,235,152)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,596,269	3,401,484
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable - trade	(165,478)	40,625
Inventory	(103,814)	33,201
Other assets	(85,661)	(174,505)
Accounts payable - trade	711,867	(452,920)
Accrued payroll and payroll taxes	35,047	77,099
Accounts due to others	180,639	72,803
Total adjustments	4,168,869	2,997,787
Net cash provided by operations	\$ 2,210,709	\$ 762,635

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, 2007 and 2006**

**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, 2007 and 2006**

**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, 2007 and 2006**

**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. The first-in, first-out (FIFO) accounting method is used for inventory. 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 \$0 and \$36,868 for the years ended December 31, 2007 and 2006, respectively.

**Investments**

Investments, repurchase agreements and certificates of deposits 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, 2007 and 2006**

**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 \$3,865,426 and \$8,334,465 as of December 31, 2007 and 2006, 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, 2007 and 2006**

**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 \$1,401,450 and \$563,432 at December 31, 2007 and 2006, respectively. Of the bank balance at December 31, 2007 \$100,000 was covered by federal depository insurance and \$1,454,321 and \$1,071,658 as of December 31, 2007 and 2006, 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, 2007 and 2006**

**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, 2007 and 2006

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.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2007 and 2006**

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

**Investments, Continued**

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. In 2007, the District's investment in Federal Home Loan Bank Notes represents 34% of the District's total investments. In 2006, the District's investment in Federal National Mortgage Association Notes represents 41% of the District's total investments.

The District's investments consist of the following:

<u>INVESTMENT</u>	<u>2006</u> CARRYING/ FAIR VALUE	<u>2007</u> CARRYING/ FAIR VALUE	<u>Maturity</u> Less than 1 year
U.S. Treasuries and Federal Agency Obligations	\$ 7,221,194	\$ 3,436,439	\$ 3,436,439
Money Market Mutual Funds	624,724	556,529	556,529
STAR Ohio	<u>1,932,255</u>	<u>4,680,076</u>	<u>4,680,076</u>
Total Investments (including restricted)	<u>\$ 9,778,173</u>	<u>\$ 8,673,044</u>	<u>\$ 8,673,044</u>

Classification in the Statement of Net Assets:

	<u>2007</u>	<u>2006</u>
Cash and Equivalents:		
Current	\$ 1,401,450	\$ 563,432
Restricted for debt retirement	<u>4,680,076</u>	<u>1,934,374</u>
Total	<u>\$ 6,081,526</u>	<u>\$ 2,497,806</u>
Investments:		
Current	\$ 2,186,757	\$ 5,971,447
Restricted for debt retirement	<u>1,806,211</u>	<u>1,874,471</u>
Total	<u>\$ 3,992,968</u>	<u>\$ 7,845,918</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2007 and 2006**

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

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

	<b>Balance at December 31, 2006</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at December 31, 2007</b>
<b>Non-depreciable</b>					
Land	\$ 411,357	\$ 0	\$ 0	\$ 0	\$ 411,357
Construction in progress	2,548,629	5,437,549		(3,553,057)	4,433,121
Total non-depreciable	<u>2,959,986</u>	<u>5,437,549</u>	<u>0</u>	<u>(3,553,057)</u>	<u>4,844,478</u>
<b>Depreciable</b>					
Sewer and water lines	128,683,644	192,782		2,123,516	130,999,942
Buildings, pumps and lift station	10,726,356			1,429,541	12,155,897
Machinery and equipment	2,495,589	502,442			2,998,031
Vehicles	1,376,771	226,267	158,482		1,444,556
Furniture and fixtures	224,607				224,607
Computer equipment	535,707	43,580			579,287
Improvements - Oregon waste					
Water treatment plant	5,461,203				5,461,203
Total depreciable cost	<u>149,503,877</u>	<u>965,071</u>	<u>158,482</u>	<u>3,553,057</u>	<u>153,863,523</u>
Totals at historical cost	<u>152,463,863</u>	<u>6,402,620</u>	<u>158,482</u>	<u>0</u>	<u>158,708,001</u>
<b>Accumulated depreciation</b>					
Sewer and water lines	48,737,074	2,622,608			51,359,682
Buildings, pumps and lift station	4,168,500	347,222			4,515,722
Machinery and equipment	1,747,029	238,042			1,985,071
Vehicles	746,134	111,263	158,482		698,915
Furniture and fixtures	92,841	22,795			115,636
Computer equipment	350,450	75,571			426,021
Improvements - Oregon waste					
Water treatment plant	1,287,602	142,945			1,430,547
Total accumulated depreciation	<u>57,129,630</u>	<u>3,560,446</u>	<u>158,482</u>	<u>0</u>	<u>60,531,594</u>
Capital assets, net	<u>\$ 95,334,233</u>	<u>\$ 2,842,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,176,407</u>
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,560,446			
Amortization of loan costs		<u>35,823</u>			
Total Depreciation and amortization		<u>\$ 3,596,269</u>			

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2007 and 2006**

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

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

	<b>Balance at December 31, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at December 31, 2006</b>
<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	<u>3,390,909</u>	<u>4,168,818</u>	<u>73,368</u>	<u>(4,526,373)</u>	<u>2,959,986</u>
<b>Depreciable</b>					
Sewer and water lines	123,269,913	1,215,392		4,198,339	128,683,644
Buildings, pumps and lift station	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			535,708
Improvements - Oregon waste					
Water treatment plant	5,461,203				5,461,202
Total depreciable cost	<u>141,672,607</u>	<u>3,533,194</u>	<u>228,297</u>	<u>4,526,373</u>	<u>149,503,877</u>
Totals at historical cost	<u>145,063,516</u>	<u>7,702,012</u>	<u>301,665</u>	<u>0</u>	<u>152,463,863</u>
<b>Accumulated depreciation</b>					
Sewer and water lines	46,205,011	2,532,063			48,737,074
Buildings, pumps and lift station	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	<u>53,971,395</u>	<u>3,378,552</u>	<u>220,317</u>	<u>0</u>	<u>57,129,630</u>
Capital assets, net	<u>\$ 91,092,121</u>	<u>\$ 4,323,460</u>	<u>\$ 81,348</u>	<u>\$ 0</u>	<u>\$ 95,334,233</u>
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,378,552			
Amortization of loan costs		22,932			
Total Depreciation and amortization		<u>\$ 3,401,484</u>			



**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2007 and 2006**

**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, 2007 and 2006:

<u>Project Number</u>	<u>Date of Loan</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>2007 Amount Outstanding</u>	<u>2006 Amount Outstanding</u>
SS #140	09/29/94	1,065,000	4.18%	07/01/14	\$ 475,778	\$ 533,182
WL #234	07/27/95	5,496,313	6.36%	01/01/16	3,161,644	3,436,384
WL #167-183	05/27/99	3,503,947	5.56%	07/01/20	2,681,874	2,819,485
SS #904 & WL #904	08/31/00	1,660,596	3.0% - 6.39%	01/01/21	1,249,024	1,305,946
WL #300	10/28/04	90,500	4.10%	01/01/25	82,779	85,962
WL #318	9/31/04	338,000	4.56%	07/01/24	305,733	317,391
SS #1000	11/04/04	168,224	4.56%	07/01/24	152,111	157,931
Weston 2918	02/25/93	943,552	2.00%	01/01/19	492,054	529,787
Weston 1433	05/06/82	645,201	12.00%	01/01/08	36,720	106,235
Weston 3587	09/26/01	560,079	1.50%	07/01/23	461,040	486,357
Weston 4046	02/26/04	420,316	1.50%	07/01/25	383,709	402,149
RisingSun 4807	10/25/07	8,371	4.41%	10/25/10	8,371	0
					<u>\$ 9,490,837</u>	<u>\$ 10,180,809</u>

Other long-term loans at December 31, 2007 and 2006 are as follows:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2007 Amount Outstanding</u>	<u>2006 Amount Outstanding</u>
12/01/97	Jerry City SS/Cygnnet Lagoon	6.04%	12/01/36	\$ 201,607	\$ 204,170
08/13/98	Jerry City SS #1800 OPWC loan	0.00%	07/01/19	303,415	316,058
09/08/98	Jerry City SS #1800 USDA loan	4.75%	09/08/38	259,500	263,200
07/01/03	W Boundary Rehab OPWC loan	0.00%	07/01/13	103,789	112,438
12/05/05	Easterly OPWC Loan	0.00%		164,657	111,232
9/26/2007	2007 Series B SA Bonds	4.10%	09/26/08	960,000	0
10/31/2007	Series 2007 Revenue Ban	4.00%	10/30/08	2,092,000	0
07/31/04	Jerry City WL #CE37F	0.00%	01/01/25	169,856	174,709
11/03/04	Rudolph SS #CE33E	0.00%	07/01/24	70,411	72,482
				<u>\$ 4,325,235</u>	<u>\$ 1,254,289</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2007 and 2006**

**NOTE 4 - DEBT, continued**

Bonded debt at December 31, 2007 and 2006 is as follows:

<b>Date of Issue</b>	<b>Purpose</b>	<b>Original Amount</b>	<b>Interest Rates</b>	<b>Maturity Date</b>	<b>2007</b>	<b>2006</b>
					<b>Amount Outstanding</b>	<b>Amount Outstanding</b>
09/17/96	Special assessment bond	277,159	6.20%	12/01/16	\$ 125,000	\$ 139,000
10/01/98	Special assessment bond	360,000	4.25 - 5.25%	10/01/18	195,000	215,000
09/23/99	Special assessment bond	500,000	5.85%	12/01/19	360,000	380,000
09/20/00	Special assessment bond	175,000	6.13%	12/01/20	115,000	125,000
03/01/02	2002 revenue bond	4,235,000	3.00 - 5.25%	12/01/21	2,055,000	2,235,000
06/07/02	Special assessment bond	957,578	4.75%	11/01/22	748,000	796,000
09/01/02	Special assessment bond	74,000	2.91 - 5.10%	12/01/22	63,474	66,260
09/01/02	Special assessment bond	1,121,000	2.91 - 5.10%	12/01/22	961,525	1,003,740
03/20/03	USDA building construction	2,975,000	4.63%	03/20/33	2,770,374	2,825,050
09/01/03	Special assessment bond	1,245,000	2.00 - 5.35%	09/01/23	1,080,000	1,125,000
06/28/04	USDA Revenue bond	796,000	4.375%	06/01/44	779,500	787,900
09/08/04	USDA Special assessment bond	820,000	4.75%	09/01/24	740,400	768,200
09/15/04	Special assessment bond	2,165,000	2.00 - 5.00%	12/01/24	1,979,151	2,066,495
09/15/04	Revenue bond	2,000,000	2.00 - 5.00%	12/01/24	1,794,999	1,870,000
08/01/05	Revenue bond	1,200,000	3.00 - 5.00%	12/01/25	1,177,448	1,220,639
08/16/06	Revenue bond	1,010,000	4.00-4.65%	12/31/26	990,000	1,010,000
02/16/06	Rotary Commission loan	168,026	5.00%	03/01/26	128,990	128,990
					<b><u>\$ 16,063,861</u></b>	<b><u>\$ 16,762,274</u></b>

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, 2007 and 2006**

**NOTE 4 - DEBT, continued**

Long-term debt activity for the year ended December 31, 2007 is as follows:

	<b>Balance at December 31, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2007</b>	<b>Amount due in 2008</b>
OWDA - SS #140	\$ 533,182	\$	\$ 57,404	\$ 475,778	\$ 59,829
OWDA - WL #234	3,436,384		274,740	3,161,644	292,214
OWDA - WL #167 - 183	2,819,485		137,611	2,681,874	145,369
OWDA - SS #904 & WL #904	1,305,946		56,922	1,249,024	60,618
OWDA - SS #1000	157,931		5,820	152,111	6,089
OWDA- WL #300	85,962		3,183	82,779	3,314
Weston 2918	529,787		37,733	492,054	38,488
Weston 1433	106,235		69,515	36,720	36,720
Weston 3587	486,357		25,317	461,040	25,699
Weston 4046	402,149		18,440	383,709	18,718
Jerry City SS/Cygnets Lagoon	204,170		2,563	201,607	2,718
Jerry City SS #1800 OPWC loan	316,058		12,643	303,415	25,285
Jerry City SS #1800 USDA loan	263,200		3,700	259,500	3,800
W Boundary Rehab OPWC loan	112,438		8,649	103,789	17,298
Jerry City WL #CE37F	174,709		4,853	169,856	9,706
Easterly OPWC loan	111,232	53,425		164,657	0
Rudolph SS #CE33E	72,482		2,071	70,411	4,142
Special assessments bond	139,000		14,000	125,000	14,000
Special assessments bond	215,000		20,000	195,000	20,000
Special assessments bond	380,000		20,000	360,000	20,000
Special assessments bond	125,000		10,000	115,000	5,000
2002 revenue bond	2,235,000		180,000	2,055,000	180,000
Special assessments bond	796,000		48,000	748,000	48,000
Special assessments bond	66,260		2,786	63,474	3,096
Special assessments bond	1,003,740		42,215	961,525	46,904
USDA building construction	2,825,050		54,676	2,770,374	57,205
Special assessments bond	1,125,000		45,000	1,080,000	45,000
USDA Revenue bond	787,900		8,400	779,500	8,800
USDA Special assessment bond	768,200		27,800	740,400	29,200
Special assessment bond	2,066,495		87,344	1,979,151	85,000
Revenue bond	1,870,000		75,001	1,794,999	80,000
OWDA Jerry City	317,391		11,658	305,733	12,191
Revenue bond - Series 2005A	1,220,639		43,191	1,177,448	50,000
Revenue bond	1,010,000		20,000	990,000	35,000
2007 Series B SA Bonds		960,000		960,000	960,000
Series 2007 Revenue Ban		2,092,000		2,092,000	2,092,000
Rotary commission loan	128,990			128,990	0
OWDA RisingSun 4807		8,371		8,371	0
Total	<u>\$ 28,197,372</u>	<u>\$ 3,113,796</u>	<u>\$ 1,431,235</u>	<u>\$ 29,879,933</u>	<u>\$ 4,541,403</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2007 and 2006**

**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 2007
OWDA - SS #140	\$ 588,260	\$	\$ 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		529,787		529,787	37,733
Weston 1433		106,235		106,235	69,515
Weston 3587		486,357		486,357	25,318
Weston 4046		402,149		402,149	17,440
Sewer improvement - SS #220	113,670		113,670	0	0
Jerry City SS/Cygnets 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		(63,478)	174,709	111,231
Jerry City WL #CE37F	189,268		78,036	111,232	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		1,010,000		1,010,000	20,000
Rotary commission loan		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, 2007 and 2006**

**NOTE 5 - DEBT**

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2007 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,541,402	\$ 1,371,167	\$ 5,912,569
2009	1,638,214	1,178,857	2,817,071
2010	1,595,753	1,117,107	2,712,860
2011	1,616,051	1,040,844	2,656,895
2012	1,803,306	921,342	2,724,648
2013-2015	5,317,266	2,406,327	7,723,593
2016-2020	7,516,388	2,404,112	9,920,500
2021-2025	3,897,165	901,394	4,798,559
2026-2030	930,739	363,531	1,294,270
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>\$ 29,879,933</u>	<u>\$ 11,927,263</u>	<u>\$ 41,807,196</u>

At December 31, 2007 and 2006, respectively, the District had \$6,486,287 and \$3,808,845 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, 2007 and 2006, \$1,401,000 and \$1,757,825 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 2007 and 2006, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,351 as of December 31, 2007 and 2006.

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, 2007 and 2006**

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

At December 31, 2007 and 2006, \$1,995,083 and \$2,033,342, 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 2007 and 2006, 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 9.5% of qualifying gross wages for all employees. The total 2007 and 2006 employer contribution rate was 13.85% of covered payroll. The District's contributions to PERS for the years ending December 31, 2007 and 2006 and 2005 were \$297,561, \$265,804, and \$207,821, 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 2007 and 2006 employer contribution rate was 13.70% of covered payroll; January 1 through June 30, 1997 and July 1 through December 31, 2007 5.0% and 6.0% of covered payroll, respectively, was the portion that was used to fund health care for 2007, which is \$108,965 for 2007. The percent of 4.5 was used to fund health care for 2006, which is \$87,308 for 2006.

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, 2007 and 2006**

**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, 2006. 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 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 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% 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 0.5% to 5.0% for the next 8 years. In subsequent years (9 and beyond) health care cost were assumed to increase at 4.0% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2006 was 374,979. 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 \$12.0 billion as of December 31, 2006. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

**NOTE 8 - COMPENSATED ABSENCES**

Vacation, sick leave and compensatory banked time 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, 2007 and 2006**

**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.

Employees may accrue up to 240 actual hours of work to their compensatory time bank. Employees may take compensatory time off with pay as mutually scheduled or receive the appropriate rate of pay for said time.

In accordance with GASB No. 16, "Accounting for Compensated Absences," the District has recorded an estimated liability of \$126,641 and \$117,086 as of December 31, 2007 and 2006, respectively, for sick leave payable. Sick leave benefits are accrued using the termination method. The change in sick leave payable as of December 31, 2007 and 2006 was \$9,556 and \$16,173, respectively. The District also has recorded an estimated liability of \$86,908 and \$79,249 as of December 31, 2007 and 2006, respectively, for vacation pay. The change in vacation pay as of December 31, 2007 and 2006 was \$7,659 and \$17,920, respectively. Furthermore, the District has recorded an estimated liability of \$29,704 and \$26,128 as of December 31, 2007 and 2006, respectively, for compensatory banked time. The change in compensatory banked time as of December 31, 2007 and 2006 was \$3,576 and \$8,804, 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 2007 and 2006. There have been no significant reductions in insurance coverage from 2006, 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, 2007.

**Construction Commitments**

At December 31, 2007 and 2006, the District has construction commitments, on which work has not commenced, totaling approximately \$5,416,831 and \$940,682, respectively, which will be funded by existing resources or the issuance of new revenue debt.



**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Year Ended December 31, 2007 and 2006**

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

**System Development Fees**

By settlement agreement dated September 14, 2000 relating to litigation between the District and the City of Northwood (the City), 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 2007 and 2006, the District remitted system development fees of approximately \$42,000 and \$33,100, respectively, for cumulative fees paid under the agreement of \$489,052 at December 31, 2007.

**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, 2007, there are four such ordered areas with preliminary or updated cost estimates totaling \$8.4 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 \$1,749,035 at December 31, 2007 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,995,083 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 \$1,016,426 and \$2,029,399 were recognized and recorded as aid in construction in 2007 and 2006, respectively.

Developers dedicated water and sewer lines with total costs of \$607,000 and \$1,102,267 in 2007 and 2006, respectively, with such contributions recorded as aid in construction.

Decrease in fair value of investments as of December 31, 2007 and 2006 was \$(14,737) and \$(24,867), respectively.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2007 and 2006**

**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, 2007 and 2006 is as follows:

	2007			2006		
	Water	Sewer	Total	Water	Sewer	Total
<b>Statement of net assets</b>						
Current assets	\$ 6,352,356	\$ 7,607,435	\$13,959,791	\$ 5,687,343	\$ 8,261,270	\$13,948,613
Capital assets	42,506,503	55,669,904	98,176,407	40,988,676	54,345,557	95,334,233
Other assets	6,073,850	4,643,007	10,716,857	5,672,400	4,789,060	10,461,460
Total assets	54,932,709	67,920,346	122,853,055	52,348,419	67,395,887	119,744,306
Current liabilities	3,941,241	3,434,151	7,375,392	1,498,931	1,981,931	3,480,862
Long-term liabilities	12,724,267	12,614,264	25,338,531	13,621,806	12,998,782	26,620,588
Total liabilities	16,665,508	16,048,415	32,713,923	15,120,737	14,980,713	30,101,450
Invested in capital assets, net of related debt	30,287,294	44,542,531	74,829,825	29,248,842	41,747,310	70,996,152
Restricted	3,535,542	2,950,745	6,486,287	2,624,928	1,183,917	3,808,845
Unrestricted	4,444,365	4,378,655	8,823,020	5,353,912	9,483,947	14,837,859
Total net assets	\$38,267,201	\$51,871,931	\$90,139,132	\$37,227,682	\$52,415,174	\$89,642,856
<b>Statement of revenues, expenses, and change in net assets</b>						
Utility revenues	\$ 3,224,129	\$ 3,442,821	\$ 6,666,950	\$ 2,865,069	\$ 3,067,499	\$ 5,932,568
Other revenues	448,117	299,553	747,670	336,420	255,373	591,793
Total operating revenues	3,672,246	3,742,374	7,414,620	3,201,489	3,322,872	6,524,361
Depreciation and amortization	1,361,439	2,234,830	3,596,269	1,262,110	2,139,374	3,401,484
Other operating expenses	2,891,242	2,885,269	5,776,511	2,687,014	2,671,015	5,358,029
Total operating expenses	4,252,681	5,120,099	9,372,780	3,949,124	4,810,389	8,759,513
Operating loss	(580,435)	(1,377,725)	(1,958,160)	(747,635)	(1,487,517)	(2,235,152)
Interest expense	(791,589)	(535,641)	(1,327,230)	(704,458)	(609,553)	(1,314,011)
Other nonoperating Revenues	634,240	561,204	1,195,444	542,985	587,973	1,130,958
Total nonoperating revenues (expenses)	(157,349)	25,563	(131,786)	(161,473)	(21,580)	(183,053)
Aid in construction	1,777,303	808,919	2,586,222	2,378,917	2,808,702	5,187,619
Change in net assets	1,039,519	(543,243)	496,276	1,469,809	1,299,605	2,769,414
Beginning net assets	37,227,682	52,415,174	89,642,856	35,757,873	51,115,569	86,873,442
Ending net assets	\$38,267,201	\$51,871,931	\$90,139,132	\$37,227,682	\$52,415,174	\$89,642,856
<b>Statement of cash flows</b>						
Net cash provided by (used in)						
Operating activities	\$ 945,683	\$ 1,265,026	\$ 2,210,709	\$ 452,875	\$ 309,760	\$ 762,635
Capital and related financing	(948,032)	(2,687,830)	(3,635,862)	(1,838,583)	(1,936,555)	(3,775,138)
Investing	1,595,483	3,413,390	5,008,873	682,556	1,734,773	2,417,329
Cash at beginning of year	1,102,233	1,395,573	2,497,806	1,805,385	1,287,595	3,092,980
Cash at end of year	\$ 2,695,367	\$ 3,386,159	\$ 6,081,526	\$ 1,102,233	\$ 1,395,573	\$ 2,497,806

## **SUPPLEMENTAL INFORMATION**

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - BUDGET TO ACTUAL  
December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Operating Revenue				
Utility Revenues	\$ 6,300,000	\$ 7,032,575	\$ 6,666,950	\$ 365,625
Other Operating Revenues	450,000	462,000	787,191	(325,191)
Non-operating Revenue				
Interest	810,000	1,133,000	1,164,560	(31,560)
Total Revenues	<u>7,560,000</u>	<u>8,627,575</u>	<u>8,618,701</u>	<u>8,874</u>
<b>Expenses</b>				
Operating Expenses				
Operations and Maintenance	5,300,000	10,015,400	9,381,414	633,986
Debt Retirement	3,050,000	1,649,185	1,327,230	321,955
Total Expenses	<u>8,350,000</u>	<u>11,664,585</u>	<u>10,708,644</u>	<u>955,941</u>
Operating Loss	(790,000)	(3,037,010)	(2,089,943)	(947,067)
<b>Reconciliation to Change in Net Assets</b>				
Aid in Construction				
Grants	1,500,000	2,518,300	152,098	2,366,202
System Development Fees	700,000	700,000	780,395	(80,395)
Other		40,000	613,221	(573,221)
Antidegradation Credits	50,000	50,000	24,082	25,918
Special Assessment Principal		753,600	1,016,426	(262,826)
Total Aid in Construction	<u>2,250,000</u>	<u>4,061,900</u>	<u>2,586,222</u>	<u>1,475,678</u>
Change in Net Assets	<u>\$ 1,460,000</u>	<u>\$ 1,024,890</u>	<u>\$ 496,279</u>	<u>\$ 528,611</u>

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 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.

The Final Budget varies from the Original Budget due to adjustments made by management. The adjustments were made in an effort to make the balances more representative of the respective areas.

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:

	<u>2007</u>	<u>2006</u>
Excess of expenses over revenues - operating budget basis	\$ (2,089,943)	\$ (2,418,205)
Aid in construction	2,586,222	5,187,619
Change in net assets	<u>\$ 496,279</u>	<u>\$ 2,769,414</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2007**

	<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	\$ 808,652	\$ 592,798	\$ 0	\$ 1,401,450
Cash and cash equivalents-restricted	1,886,715	2,793,361		4,680,076
Investments-unrestricted	13,879	2,172,878		2,186,757
Investments-restricted	1,648,827	157,384		1,806,211
Accounts Receivable - trade	767,958	1,316,520		2,084,478
Current portion of special assessments	906,873	439,956		1,346,829
Inventory	293,945	95,711		389,656
Prepaid expenses	25,507	38,827		64,334
Total current assets	<u>6,352,356</u>	<u>7,607,435</u>	<u>0</u>	<u>13,959,791</u>
<b>Noncurrent assets</b>				
Capital assets				
Sewer and waterlines	54,388,869	76,611,073		130,999,942
Buildings, pumps and lift stations	3,863,822	8,292,075		12,155,897
Machinery and equipment	1,288,780	1,709,251		2,998,031
Vehicles	437,643	1,006,913		1,444,556
Furniture and fixtures	84,588	140,019		224,607
Computer equipment	216,922	362,365		579,287
Improvements - Oregon waste water trtmt. plant	2,380,467	3,080,736		5,461,203
Total depreciable capital assets	<u>62,661,091</u>	<u>91,202,432</u>	<u>0</u>	<u>153,863,523</u>
Accumulated depreciation	(21,010,494)	(39,521,100)		(60,531,594)
Net depreciable capital assets	<u>41,650,597</u>	<u>51,681,332</u>	<u>0</u>	<u>93,331,929</u>
Land	42,083	369,274		411,357
Construction in process	813,823	3,619,298		4,433,121
Net capital assets	<u>42,506,503</u>	<u>55,669,904</u>	<u>0</u>	<u>98,176,407</u>
Other assets				
Special assessments, less current portion	5,730,827	4,139,932		9,870,759
Reserve with county commissioners	36,657	221,694		258,351
Deferred loan costs, net of accumulated amortization of \$40,553	47,064	-		47,064
Miscellaneous	259,302	281,381		540,683
Total other assets	<u>6,073,850</u>	<u>4,643,007</u>	<u>0</u>	<u>10,716,857</u>
Total noncurrent assets	<u>48,580,353</u>	<u>60,312,911</u>	<u>0</u>	<u>108,893,264</u>
Total assets	<u>\$ 54,932,709</u>	<u>\$ 67,920,346</u>	<u>\$ 0</u>	<u>\$ 122,853,055</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2007**

	<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	\$ 3,077,548	\$ 1,463,854	\$ 0	\$ 4,541,402
Accounts payable - trade	358,746	819,710		1,178,456
Compensated absences payable	92,436	150,817		243,253
Accrued payroll and payroll taxes	68,193	128,619		196,812
Accrued interest payable	280,928	223,990		504,918
Amounts due others	63,390	647,161		710,551
Total current liabilities	<u>3,941,241</u>	<u>3,434,151</u>	<u>0</u>	<u>7,375,392</u>
 Long-term debt, less current portion	 <u>12,724,267</u>	 <u>12,614,264</u>		 <u>25,338,531</u>
Total liabilities	<u>16,665,508</u>	<u>16,048,415</u>	<u>0</u>	<u>32,713,923</u>
 <b>Net assets</b>				
Invested in capital assets, net of related debt	30,287,294	44,542,531		74,829,825
Restricted	3,535,542	2,950,745		6,486,287
Unrestricted	4,444,365	4,378,655		8,823,020
Total net assets	<u>\$ 38,267,201</u>	<u>\$ 51,871,931</u>	<u>\$ 0</u>	<u>\$ 90,139,132</u>

**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		1,934,374
Investments-unrestricted	988,996	4,982,451		5,971,447
Investments-restricted	1,650,028	224,443		1,874,471
Accounts receivable - trade	908,385	1,010,615		1,919,000
Current portion of special assessments	811,319	535,577		1,346,896
Inventory	204,636	81,206		285,842
Prepaid expenses	21,746	31,405		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 water lines	52,539,042	76,144,602	0	128,683,644
Buildings, pumps and lift stations	3,605,058	7,121,298		10,726,356
Machinery and equipment	835,111	1,660,478		2,495,589
Vehicles	408,090	968,681		1,376,771
Furniture and fixtures	84,588	140,019		224,607
Computer equipment	200,362	335,345		535,707
Improvements-Oregon waste water treatment plant	<u>2,380,467</u>	<u>3,080,736</u>		<u>5,461,203</u>
Total depreciable capital assets	60,052,718	89,451,159	0	149,503,877
Accumulated depreciation and amortization	(19,729,882)	(37,399,748)		(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		411,357
Construction in process	623,757	1,924,872		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		9,654,015
Reserve with county commissioners	36,836	221,933		258,769
Deferred loan costs, net of accumulated amortization of \$32,485	50,446	-		50,446
Miscellaneous	247,585	250,645		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	<u>\$ 52,348,419</u>	<u>\$ 67,395,887</u>	<u>\$ 0</u>	<u>\$ 119,744,306</u>

**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		466,589
Compensated absences payable	84,536	137,927		222,463
Accrued payroll and payroll taxes	70,664	111,891		182,555
Accrued interest payable	272,265	230,294		502,559
Amounts due others	49,124	480,788		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>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		70,996,152
Restricted	2,624,928	1,183,917		3,808,845
Unrestricted	5,353,912	9,483,947		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 REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
<b>Operating revenues</b>				
Utility revenue	\$ 3,224,129	\$ 3,442,821	\$ 0	\$ 6,666,950
Fees and permits	225,786	86,735		312,521
Contract services	125,389	139,617		265,006
Other operating revenues	96,942	73,201		170,143
Total operating revenues	<u>3,672,246</u>	<u>3,742,374</u>	<u>0</u>	<u>7,414,620</u>
<b>Operating expenses</b>				
Depreciation and amortization	1,361,439	2,234,830		3,596,269
Labor	705,008	1,254,946		1,959,954
Employee benefits	277,142	463,426		740,568
Professional services	217,551	238,473		456,024
Purchased water and sewer treatment	1,020,361	130,343		1,150,704
Materials and supplies	359,029	380,166		739,195
Utilities	174,480	218,647		393,127
Rent	2,151	3,509		5,660
Other	135,520	195,759		331,279
Total operating expenses	<u>4,252,681</u>	<u>5,120,099</u>	<u>0</u>	<u>9,372,780</u>
Operating loss	(580,435)	(1,377,725)	0	(1,958,160)
<b>Nonoperating revenues (expenses)</b>				
Interest income	619,165	545,395		1,164,560
Interest expense	(791,589)	(535,641)		(1,327,230)
Other income	15,075	15,809		30,884
Net nonoperating revenues (expenses)	<u>(157,349)</u>	<u>25,563</u>	<u>0</u>	<u>(131,786)</u>
<b>Aid in construction</b>	<u>1,777,303</u>	<u>808,919</u>	<u>0</u>	<u>2,586,222</u>
<b>Change in net assets</b>	1,039,519	(543,243)	0	496,276
<b>Net assets - beginning</b>	<u>37,227,682</u>	<u>52,415,174</u>	<u>0</u>	<u>89,642,856</u>
<b>Net assets - ending</b>	<u>\$ 38,267,201</u>	<u>\$ 51,871,931</u>	<u>\$ 0</u>	<u>\$ 90,139,132</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		285,737
Contract services	71,491	113,384		184,875
Other operating revenues	64,212	56,969		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		3,401,484
Labor	663,157	1,140,171		1,803,328
Employee benefits	250,007	414,550		664,557
Professional services	124,792	184,286		309,078
Purchased water and sewer treatment	917,580	126,467		1,044,047
Materials and supplies	454,068	390,354		844,422
Utilities	127,718	224,856		352,574
Rent	2,207	3,601		5,808
Other	147,485	186,730		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		1,033,402
Interest expense	(704,458)	(609,553)		(1,314,011)
Other income	17,571	79,985		97,556
Net nonoperating 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 CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Cash received from customers	\$ 3,812,673	\$ 3,436,469	\$ 0	\$ 7,249,142
Cash payments to suppliers for goods and services	(1,890,269)	(482,689)		(2,372,958)
Cash payments to employees for services	(976,721)	(1,688,754)		(2,665,475)
Net cash provided by operations	<u>945,683</u>	<u>1,265,026</u>	<u>0</u>	<u>2,210,709</u>
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	358,497	357,618		716,115
Proceeds from capital grant	128,476	23,622		152,098
System development fees	366,365	414,030		780,395
Acquisition and construction of capital assets	(2,855,245)	(3,547,375)		(6,402,620)
Proceeds from sale of capital assets	15,075	24,446		39,521
Proceeds from issuance of long-term debt	2,285,717	819,710		3,105,427
Repayment of long-term debt	(899,108)	(523,756)		(1,422,864)
Collections on special assessments	435,117	285,820		720,937
Interest paid	(782,926)	(541,945)		(1,324,871)
Net cash used in capital and related financing activities	<u>(948,032)</u>	<u>(2,687,830)</u>	<u>0</u>	<u>(3,635,862)</u>
<b>Cash flows from investing activities</b>				
Interest received	619,165	545,395		1,164,560
Proceeds on sale of investments	995,177	3,853,126		4,848,303
Purchases of investments	(18,859)	(985,131)		(1,003,990)
Net cash provided by investing activities	<u>1,595,483</u>	<u>3,413,390</u>	<u>0</u>	<u>5,008,873</u>
Increase in cash and cash equivalents	1,593,134	1,990,586	0	3,583,720
Cash and cash equivalents - beginning of the year	<u>1,102,233</u>	<u>1,395,573</u>	<u>0</u>	<u>2,497,806</u>
Cash and cash equivalents - end of year	<u>\$ 2,695,367</u>	<u>\$ 3,386,159</u>	<u>\$ 0</u>	<u>\$ 6,081,526</u>
Restricted cash and cash equivalents	<u>\$ 1,886,715</u>	<u>\$ 2,793,361</u>	<u>\$ 0</u>	<u>\$ 4,680,076</u>
Unrestricted cash and cash equivalents	<u>\$ 808,652</u>	<u>\$ 592,798</u>	<u>\$ 0</u>	<u>\$ 1,401,450</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Operating loss	\$ (580,435)	\$ (1,377,725)	\$ 0	\$ (1,958,160)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,361,439	2,234,830		3,596,269
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	140,427	(305,905)		(165,478)
Inventory	(89,309)	(14,505)		(103,814)
Other assets	(35,940)	(49,721)		(85,661)
Accounts payable-trade	129,806	582,061		711,867
Accrued payroll and related taxes	5,429	29,618		35,047
Amounts due to others	14,266	166,373		180,639
Total adjustments	<u>1,526,118</u>	<u>2,642,751</u>	<u>0</u>	<u>4,168,869</u>
Net cash provided by operations	<u>\$ 945,683</u>	<u>\$ 1,265,026</u>	<u>\$ 0</u>	<u>\$ 2,210,709</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)		(3,411,565)
Cash payments to employees for services	(883,353)	(1,507,433)		(2,390,786)
Net cash provided by operations	<u>452,875</u>	<u>309,760</u>	<u>0</u>	<u>762,635</u>
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	117,305	118,154		235,459
Proceeds from capital grant	189,276	798,440		987,716
System development fees	431,250	492,975		924,225
Acquisition and construction of capital assets	(3,312,846)	(3,286,899)		(6,599,745)
Proceeds from issuance of long-term debt	7,850	156,351		164,201
Repayment of short-term notes	1,756,221	994,741		2,750,962
Repayment of long-term debt	(733,963)	(860,671)		(1,594,634)
Collections on special assessments	388,373	249,438		637,811
Interest paid	(682,049)	(599,084)		(1,281,133)
Net cash used in capital and related financing activities	<u>(1,838,583)</u>	<u>(1,936,555)</u>	<u>0</u>	<u>(3,775,138)</u>
<b>Cash flows from investing activities</b>				
Interest received	525,414	507,988		1,033,402
Proceeds on sale of investments	189,788	1,248,316		1,438,104
Purchases of investments	(32,646)	(21,531)		(54,177)
Net cash provided by investing activities	<u>682,556</u>	<u>1,734,773</u>	<u>0</u>	<u>2,417,329</u>
Increase (decrease) in cash and cash equivalents	(703,152)	107,978	0	(595,174)
Cash and cash equivalents - beginning of the year	<u>1,805,385</u>	<u>1,287,595</u>	<u>0</u>	<u>3,092,980</u>
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 and cash equivalents	<u>\$ 974,900</u>	<u>\$ 959,474</u>	<u>\$ 0</u>	<u>\$ 1,934,374</u>
Unrestricted cash and cash equivalents	<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		3,401,484
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	(27,551)	68,176		40,625
Inventory	17,785	15,416		33,201
Other assets	(84,468)	(90,037)		(174,505)
Accounts payable-trade	(11,867)	(441,053)		(452,920)
Accrued payroll and related taxes	29,811	47,288		77,099
Amounts due to others	14,690	58,113		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 AND SEWER DISTRICT STATISTICAL SCHEDULES

This part of Northwestern Water and Sewer District's comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information about the District's overall financial health.

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>Financial Trends</b>	<b>S2</b>
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time	
<b>Revenue Capacity</b>	<b>S10</b>
These schedules contain information to help the reader assess the factors affecting the District's ability to generate its water and sewer sales	
<b>Debt</b>	<b>S16</b>
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future	
<b>Demographic and Economic Information</b>	<b>S20</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments	
<b>Operating Information</b>	<b>S23</b>
These schedules contain information about the District's operation and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs	
<b>Sources</b>	
Unless stated otherwise, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.	



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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in Capital Assets, Net of Related Debt	\$74,830	\$70,996	\$66,996	\$61,550	\$59,024	\$56,752
Restricted	6,486	3,809	2,896	2,500	2,307	3,443
Unrestricted	<u>8,823</u>	<u>14,838</u>	<u>16,981</u>	<u>19,564</u>	<u>17,886</u>	<u>12,894</u>
Total Net Assets	\$90,139	\$89,643	\$86,873	\$83,614	\$79,217	\$73,089

Data for years 2001 – 1998 not available





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

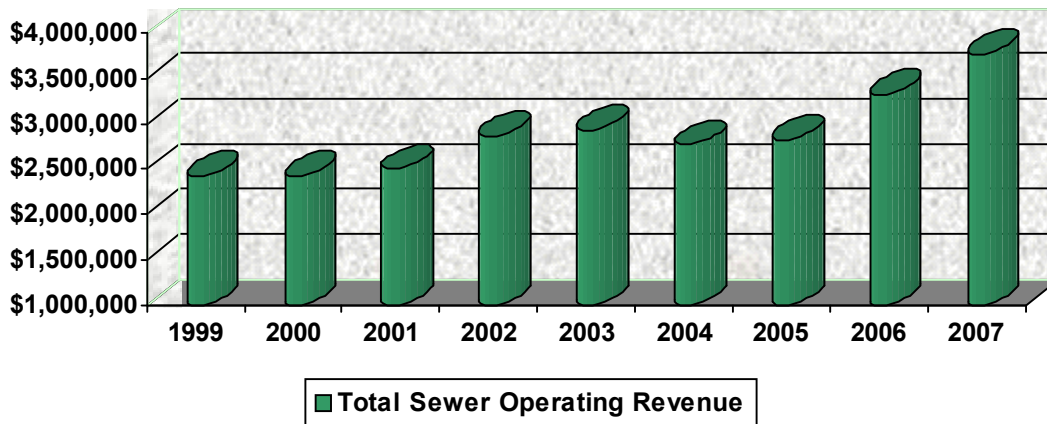
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Expenses:</b>						
Water	\$4,253	\$3,949	\$3,291	\$3,103	\$2,511	\$2,460
Sewer	<u>\$5,120</u>	<u>4,810</u>	<u>4,056</u>	<u>3,845</u>	<u>3,625</u>	<u>3,222</u>
Total Expenses	\$9,373	\$8,759	\$7,347	\$6,948	\$6,136	\$5,682
<b>Program Revenues:</b>						
Water	\$3,672	\$3,201	\$2,991	\$2,633	\$2,290	\$2,089
Sewer	<u>3,743</u>	<u>3,323</u>	<u>2,820</u>	<u>2,762</u>	<u>2,931</u>	<u>2,864</u>
Total Program Revenues	<u>\$7,415</u>	<u>\$6,524</u>	<u>\$5,811</u>	<u>\$5,395</u>	<u>\$5,221</u>	<u>\$4,953</u>
Total Net Expense	\$(1,958)	\$(2,235)	\$(1,536)	\$(1,553)	\$(915)	\$(729)
<b>Other Changes In Net Assets</b>	\$(132)	\$(183)	\$(335)	\$(98)	\$(497)	\$(261)
Nonoperating Revenues (Expenses)						
Aid In Construction	<u>2,586</u>	<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	\$2,454	\$5,004	\$4,795	\$5,950	\$7,044	\$5,449
Change In Net Assets	\$496	\$2,769	\$3,259	\$4,394	\$6,129	\$4,720

Data for years 2001 – 1998 not available



**SEWER OPERATING REVENUES BY SOURCE  
NORTHWESTERN WATER AND SEWER DISTRICT  
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>
2007	\$3,442,820	\$ 86,735	\$139,618	\$ 73,201	\$3,742,374	12.6%
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	2,930,913	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	2,500,093	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%

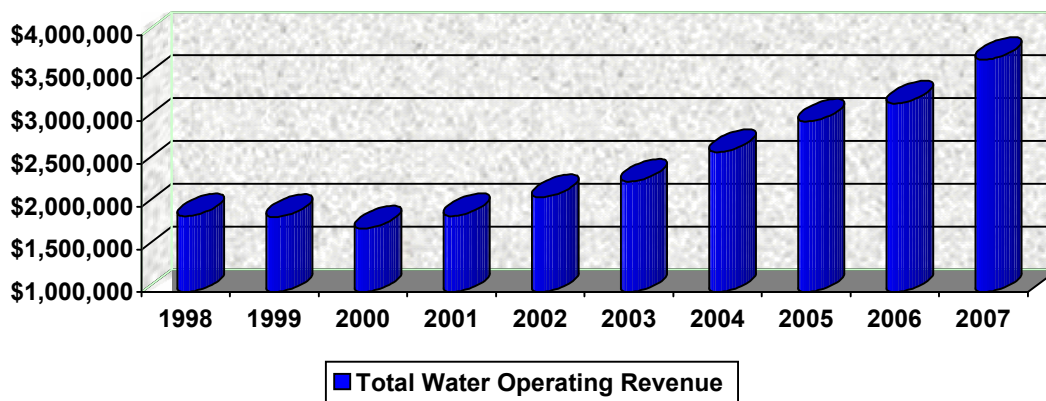


Source: District accounting records



**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>
2007	\$3,224,129	\$225,786	\$125,388	\$ 96,942	\$3,672,246	14.7%
2006	2,865,069	200,717	71,491	64,212	3,201,489	7.0%
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	1,741,035	-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%

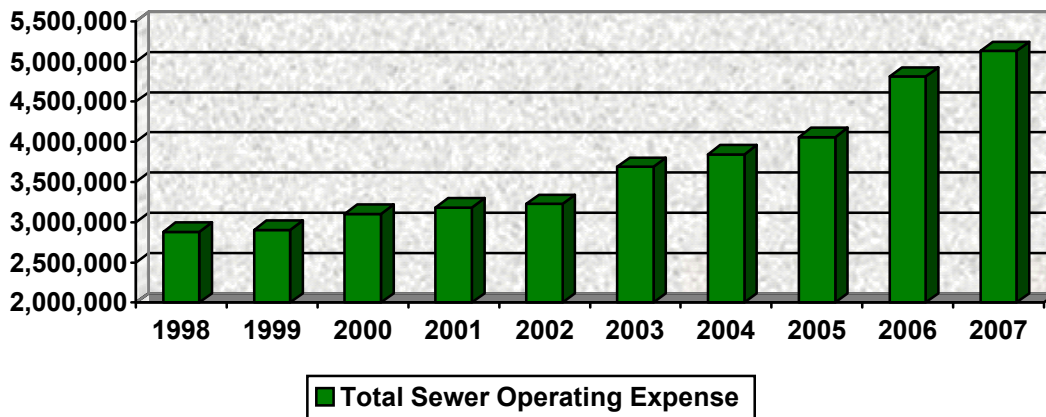


Source: District accounting records



## 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>
2007	\$1,254,946	\$463,426	\$368,816	\$380,166	\$218,647	\$2,234,830	\$199,268	\$5,120,099	6.4%
2006	1,140,171	414,550	310,753	390,354	224,856	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	3,688,422	14.3%
2002	638,814	271,917	335,408	231,182	142,800	1,501,058	104,867	3,225,746	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%

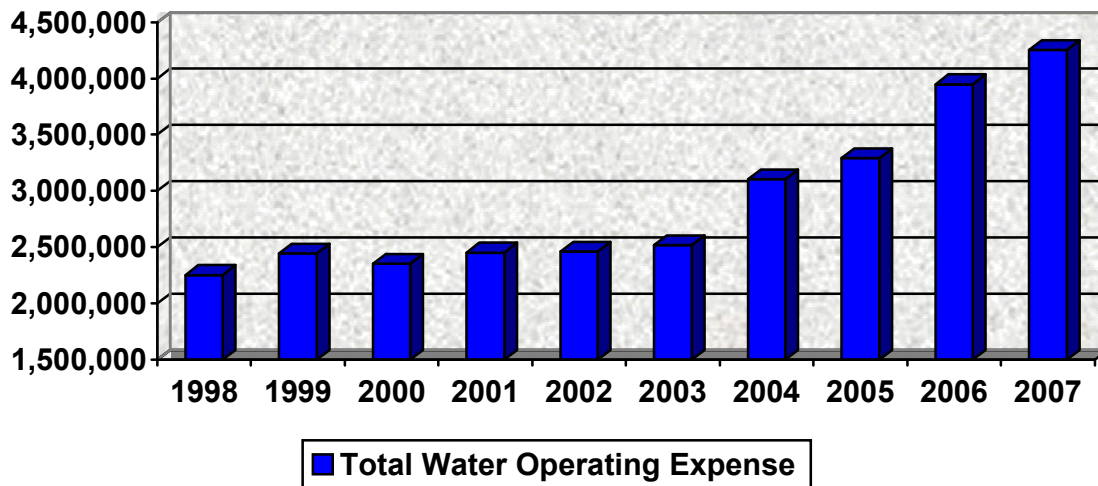


Source: District accounting records



## 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>
2007	\$705,008	\$277,142	\$217,551	\$1,020,361	\$359,029	\$174,480	\$1,361,439	\$137,671	\$4,252,681	7.7%
2006	663,157	250,007	124,792	917,580	454,068	127,718	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%



Source: District accounting records



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

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<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2007	\$545,395	\$808,919	\$ 15,809	\$1,370,123
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

(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**

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<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2007	\$ 619,165	\$1,777,303	\$ 15,075	\$2,411,543
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

(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



**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>
2007	\$10.06	\$20.12	\$11.62	\$29.03
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

(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>	
2007	\$6.93	\$13.86	\$4.80
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

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

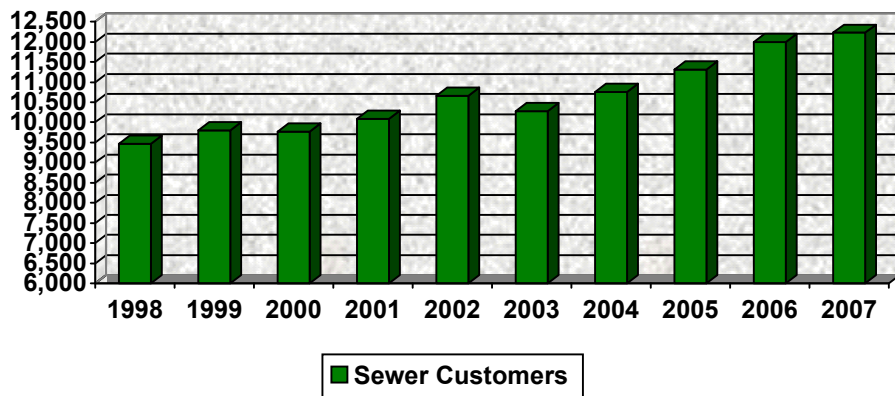
Source: District accounting records



**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>
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)
2007	12,224	3,632	1,325,558



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.

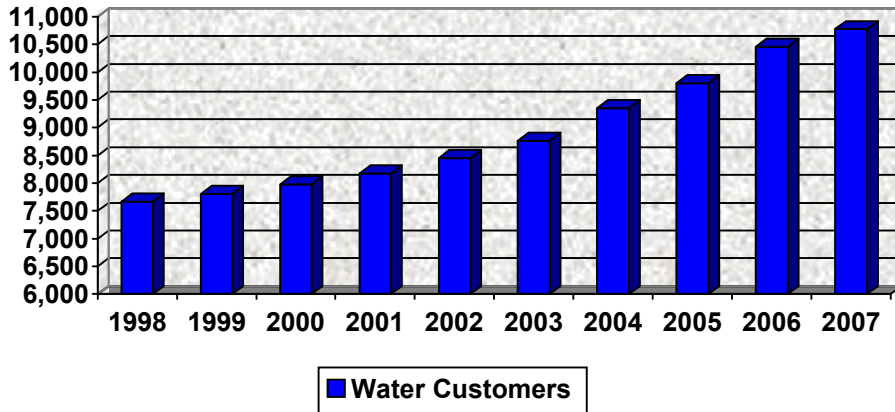
Source: District accounting records



**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>
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)
2007	10,775	4,133	1,508,418



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  
CURRENT YEAR AND NINE YEARS AGO**

**Fiscal year 2007**

<u>Customer</u>	<u>Total Billed</u>		<u>% of Total</u>
	<u>Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>System Revenue</u>
1. Charter Steel	46,052	\$71,662	2.08%
2. First Solar	41,088	63,714	1.85
3. Pre Finished Metals	40,693	63,095	1.83
4. Chrysler	37,937	58,682	1.70
5. Friendly Village I and II MHP	34,229	53,157	1.54
6. Walnut Hills Mobile Home Park	17,983	28,056	.81
7. Alpha Tube	17,541	27,279	.79
8. Cintas	16,131	23,184	.67
9. Norplas	15,898	24,693	.72
10. Perry Lake Village	15,187	17,205	.50
Total	282,739	\$430,727	12.51%

**Fiscal year 1998**

<u>Customer</u>	<u>Total Billed</u>		<u>% of Total</u>
	<u>Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>System Revenue</u>
11. Chrysler	109,248	\$123,508	5.56%
12. Pre Finished Metals	87,785	99,271	4.47
13. Friendly Village I and II MHP	41,469	46,977	2.12
14. Alpha Tube	38,589	43,953	1.98
15. Walnut Hills Mobile Home Park	27,070	30,886	1.39
16. Perry Lake Village	18,433	21,909	.99
17. Troy Villa Mobile Home Park	17,566	19,894	.90
18. Holiday Inn	15,389	17,438	.79
19. Eastpointe on the Mall Apts.	11,115	12,959	.58
20. Stoney Ridge Inn	<u>9,357</u>	<u>10,667</u>	<u>.48</u>
Total	376,021	\$427,462	19.26%

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST WATER CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Customer</u>	<b>Fiscal year 2007</b>		<b>% of Total System Revenue</b>
	<b><u>Total Billed Consumption (000's/gal.)</u></b>	<b><u>Total Billed</u></b>	
1. Charter Steel	97,835	\$ 63,945	1.98%
2. Hunt Wesson	72,797	50,126	1.55
3. Prefinished Metals	48,835	32,980	1.02
4. Chrysler	42,433	36,626	1.14
5. First Solar	41,597	27,564	.85
6. Friendly Village I and II MHP	34,229	27,089	.84
7. Walnut Hills Mobile Home Park	17,870	12,991	.40
8. Alpha Tube	17,541	12,382	.38
9. Cintas	16,401	11,630	.36
10. Perry Lake Village	<u>15,187</u>	<u>7,954</u>	<u>.25</u>
TOTAL	404,725	\$283,287	8.79%

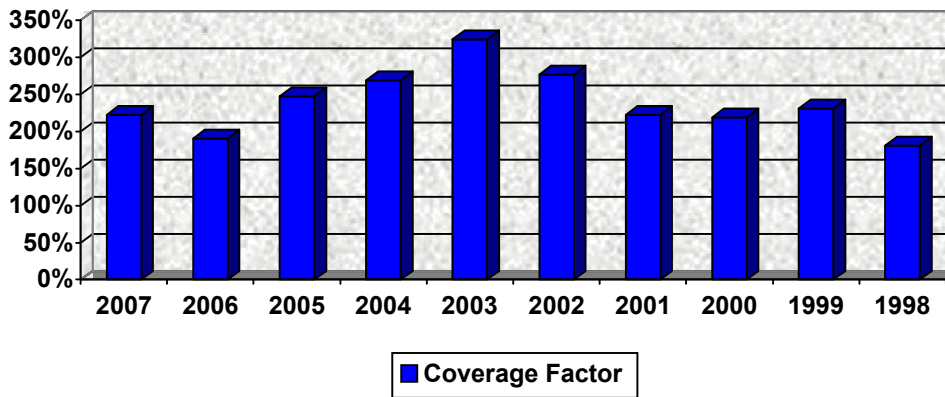
<u>Customer</u>	<b>Fiscal year 1998</b>		<b>% of Total System Revenue</b>
	<b><u>Total Billed Consumption (000's/gal.)</u></b>	<b><u>Total Billed</u></b>	
1. Hunt Wesson	402,701	\$153,931	8.16%
2. Chrysler	119,141	47,718	2.53
3. Prefinished Metals	99,738	38,544	2.04
4. Friendly Village I and II MHP	41,469	17,719	.94
5. Alpha Tube	38,589	15,321	.81
6. Commercial Aluminum Cookware	31,199	12,623	.67
7. Walnut Hills Mobile Home Park	27,078	10,732	.57
8. Perry Lake Village	18,443	8,228	.44
9. Troy Villa Mobile Home Park	17,039	6,581	.35
10. Holiday Inn	<u>15,389</u>	<u>6,326</u>	<u>.34</u>
TOTAL	810,786	\$317,723	16.85%

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>
2007	\$ 9,399,095	\$ 5,820,968	\$ 3,578,127	\$ 1,610,213	222%
2006	8,579,544	5,358,029	3,221,515	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%



- (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**

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<b><u>Fiscal Year</u></b>	<b><u>Special Assessments Collections</u></b>	<b><u>Debt Service Requirement</u></b>	<b><u>Coverage Factor</u></b>
2007	\$1,353,831	\$1,294,512	105%
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%

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2007**

Year	Revenue Debt			Special Assessment Debt			% of Debt Service	
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes	Totals	Remaining
2008	\$421,293	\$21,440	\$1,135,316	\$74,626	\$25,285	\$397,789	\$2,075,749	89.68%
2009	380,162	21,440	315,147	74,626	25,285	362,747	1,181,416	83.81%
2010	380,162	21,440	317,468	74,626	25,285	363,924	1,184,915	77.93%
2011	380,162	21,440	315,092	74,626	25,285	361,206	1,179,822	72.08%
2012	380,162	21,440	321,553	74,626	25,285	350,258	1,175,336	66.24%
2013	380,162	21,440	318,476	74,626	25,285	356,998	1,179,000	60.39%
2014	380,162	4,142	315,271	74,626	25,285	353,783	1,155,283	54.65%
2015	301,064	4,142	316,406	74,626	25,285	348,855	1,072,393	49.33%
2016	301,064	4,142	317,618	74,626	25,285	347,536	1,072,287	44.01%
2017	301,064	4,142	317,840	74,626	25,285	348,331	1,073,305	38.68%
2018	301,064	4,142	318,224	74,626	25,285	550,825	1,276,184	32.35%
2019	301,064	4,142	318,408	74,626	0	326,544	1,026,803	27.25%
2020	301,064	4,142	317,525	74,626	0	294,233	993,610	22.32%
2021	69,878	4,142	315,949	37,313	0	284,297	713,600	18.78%
2022	69,878	4,142	318,914	0	0	282,463	677,419	15.42%
2023	69,878	4,142	316,848	0	0	136,811	529,702	12.80%
2024-28	61,764	4,142	888,692	0	0	175,043	1,129,641	7.18%
2029-33	0	0	863,619	0	0	64,202	927,821	2.57%
2034-38	0	0	259,171	0	0	0	259,171	1.28%
2039-43	0	0	214,561	0	0	0	214,561	.21%
2044	0	0	42,903	0	0	0	42,903	0.00%
<b>Totals</b>	<b>\$4,780,047</b>	<b>\$174,202</b>	<b>\$8,165,001</b>	<b>\$1,007,451.</b>	<b>\$278,13</b>	<b>\$5,705,845.</b>	<b>\$20,140,92</b>	
	.00	.00	.00	00	5.00	00	1.00	

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, 2007**

Year	Revenue Debt			Special Assessment Debt		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2008	\$142,248	\$9,706	\$1,909,499	\$558,145	\$2,479,196	\$5,098,794	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%
Totals	\$1,943,047.00	\$169,855.00	\$9,384,556.00	\$5,068,488.00	\$5,977,006.00	\$22,573,192.00	

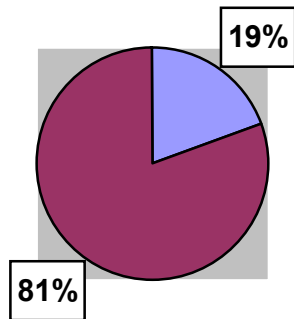
OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records

**NONAGRICULTURAL EMPLOYMENT**  
 Toledo Primary Metropolitan Statistical Area  
 (includes Wood County)  
 At December 31, 2007

	<u><b>Employment</b></u>
Goods-Producing Industries	59,200
Natural Resources, Mining and Construction	13,300
Manufacturing	45,900
Durable Goods	32,900
Transportation Equipment	12,100
Service-Providing Industries	261,800
Trade, Transportation and Utilities	63,100
Information	3,800
Financial Activities	12,800
Professional and Business Services	33,600
Educational and Health Services	51,200
Leisure and Hospitality	30,100
Other Services	14,900
Government	52,300



Goods Producing
  Service Providing

Source: Ohio Bureau of Employment Services, Labor Market Review

**THE TEN LARGEST EMPLOYERS IN WOOD COUNTY**  
Current Year and Nine Years Ago

<u>Employer</u>	<b>2007</b>			<b>1998</b>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>
Bowling Green State University	5,361	1	8.26	2,497	1	3.93
DaimlerChrysler	1,647	2	2.54	2,000	2	3.15
Owens Community College	1,525	3	2.35	808	5	1.27
Wood County	1,221	4	1.88	1,230	3	1.94
Cooper Standard Automotive	1,049	5	1.62	1,033	4	1.63
Rudolph-Libbe Companies	900	6	1.39	-	-	
Norplas Industries	700	7	1.08	-	-	
NFO Market Research	625	8	.96	800	6	1.26
OI	550	9	.85	-	-	
Great Lakes Window	500	10	.77	620	7	.98
Libbey-Owens-Ford	-	-		546	8	.86
Wood County Hospital	-	-		510	9	.80
CSX Transportation	-	-		500	10	.79
Totals	14,078		21.69%	10,544		16.60%
Total Employment Within Wood County	64,900			63,500		

Source: Wood County Economic Development Commission

**WOOD COUNTY OHIO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Years

<u>Year</u>	<u>Population (Estimated)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	125,399	\$3,971,123,974	\$31,668	5.40%
2006	124,183	3,971,123,974	31,978	5.20
2005	123,889	3,762,261,152	30,368	5.60
2004	123,377	3,636,413,698	29,474	5.70
2003	122,340	3,547,737,660	28,999	5.40
2002	121,940	3,376,152,780	27,687	4.80
2001	121,935	3,314,315,235	27,181	3.50
2000	121,065	3,310,643,490	27,346	3.20
1999	120,292	3,183,648,072	26,466	3.50
1998	119,574	3,111,435,054	26,021	3.30

Source: U.S. Census Bureau  
 Ohio Department of Job and Family Services  
 Bureau of Economic Analysis

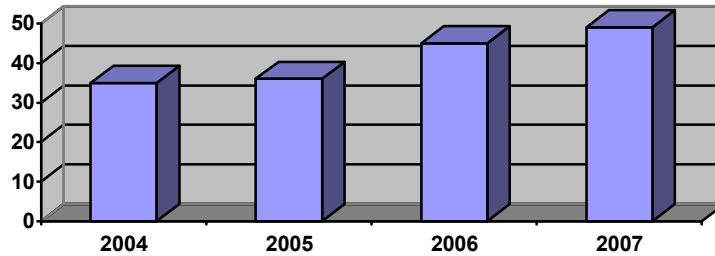


**NORTHWESTERN WATER AND SEWER DISTRICT  
NUMBER OF EMPLOYEES BY FUNCTION  
LAST FOUR FISCAL YEARS**

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<u>DEPARTMENT</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	2	2	2	2
Finance	3	2	2	2
Customer Service	6	6	5	5
Engineering	9	9	7	6
Operations	29	26	20	20
Total	49	45	36	35

**TOTAL EMPLOYEES**



Years 1998 through 2003 data not available

Source: Northwestern Water and Sewer District



**NORTHWESTERN WATER AND SEWER DISTRICT  
DEMOGRAPHIC STATISTICS  
DECEMBER 31, 2007**

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**WATER SYSTEM**

Miles of Potable Water Main	310
Total Water Connections	10,775
Number of Fire Hydrants	2,812
Number of WaterShed/Bulk Water Stations	9

**SEWER SYSTEM**

Miles of Sewer Lines	234
Total Sewer Connections	12,224
Number of Pump Stations	43
Number of Treatment Plants	3
Number of Manholes	3,811

**GENERAL INFORMATION**

Population Served (Estimated)	35,000
Number of Employees	49

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, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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.

Kevin M. Gilmore, CPA, CVA

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.

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

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.

J. Stephen Schult, CPA

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.

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

### **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*.

Debra S. Gossman, CPA

Charles F. Heid, CPA

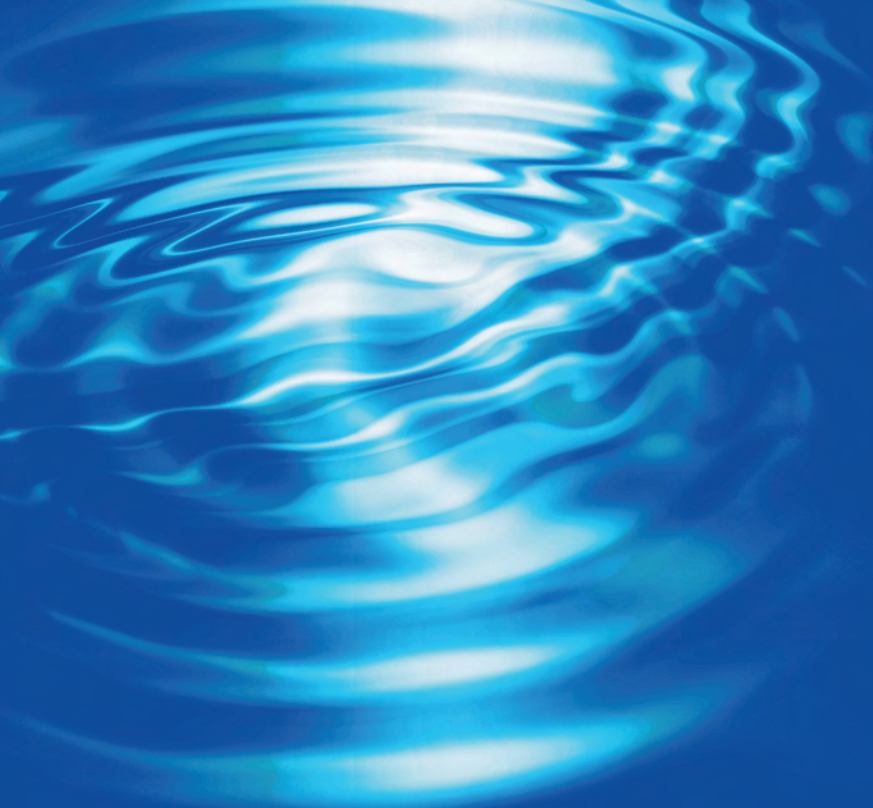
Kathi M. Iott, CPA

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

*Gilmore, Jason ; Mahler, LTD*

June 20, 2008





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**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 23, 2008**