



Comprehensive Annual Financial Report
For the years ended December 31, 2013 and 2012

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



Dave Yost • Auditor of State

Board of Trustees
Northwestern Water and Sewer District
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 CliftonLarsonAllen LLP, for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

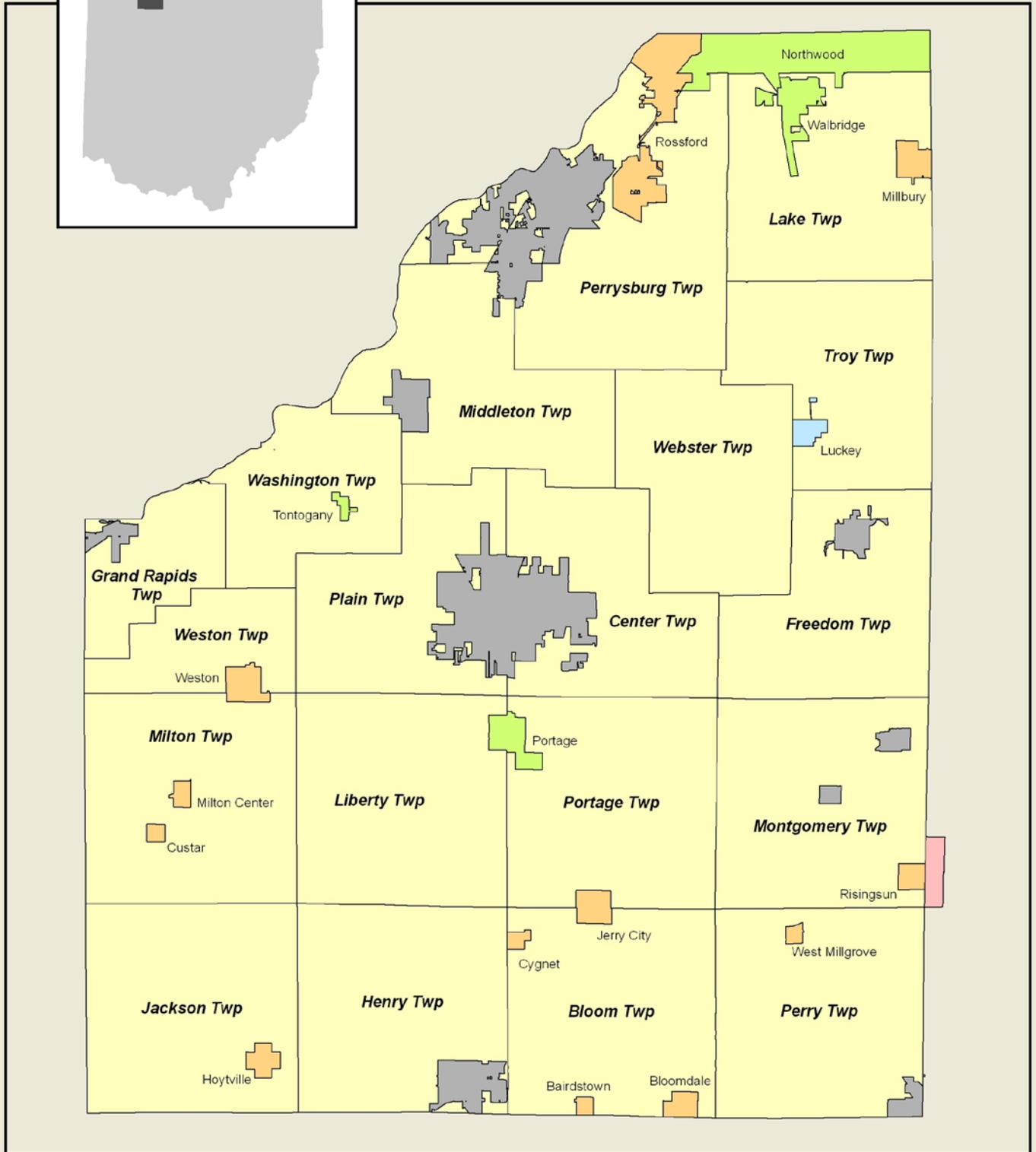
Dave Yost
Auditor of State

July 16, 2014

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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



**NORTHWESTERN WATER & SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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June 27, 2014

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, 2013, 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 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, 2013 disclosed no material internal control weaknesses or material violations of laws and regulations.

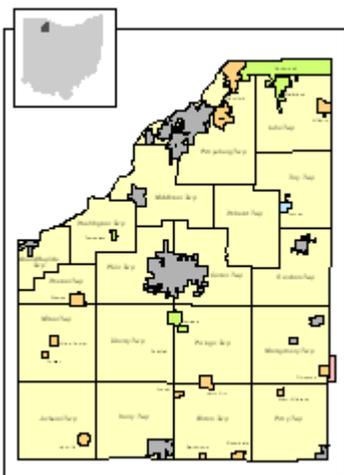
GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to compliment MD&A and should be read in conjunction with it. The District's 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 12 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.

General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The President 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.

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 2013 population of the MSA is estimated to be approximately 650,266, of which the County accounted for approximately 125,488 in 2013. 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.

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 2012-13 school year, the university had 19,000 students, 800+ full-time faculty as well as 1,300 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2013 Owens had a student enrollment of approximately 15,000 in over 130 program areas by a full time faculty of 200. Students, faculty and staff members of both higher education facilities contribute heavily to the economy of Wood County.

Long-Term Financial Planning

In 2009, the District established a strategic architecture that identified a mission statement, three key business drivers and action plans for each of the three business drivers. The action plans became the basis for establishing the 2013 budget. This process will continue in 2014 with results measured and compared to the plan. The main focus of the plan will be on how to continue to grow the District while not providing an undue financial burden on our customers.

The District has been informed by three of its wastewater treatment suppliers that the District will need to address inflow and infiltration of ground water into its sewers. To accomplish this could require the District to construct several large retention facilities that could cost \$4 million to \$7 million each.

At year-end, the District had debt outstanding of \$60,112,354. Outstanding bonds of the District are rated Aa3 by Moody's and AA- 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

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, 2012. This was the tenth 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.

West Millgrove Sewer System

Construction of a sewer collection system for the Village of West Millgrove began in 2012 and was completed in 2013 at a cost of approximately \$2.3 million. This system converted approximately 115 homes and other facilities from septic tanks to a central collection and treatment system.

Cygnet Water Line

The District began construction of a water line that benefits the Village of Cygnet in 2012. This water line benefits 340 homes. The project was completed in 2013.



Custar/Milton Center Water Line

The District began construction of a water line that benefits the Villages of Custar and Milton Center in 2012. The water line brings potable water to these villages for the benefit of over 200 homes. This project was completed in 2013.

Northwood Sewer System

The District conducted a pilot sewer service lateral project in the Northwood service area in 2012, replacing the sewer lines by relining them instead of replacing them, a much less invasive method for the homeowner. The project was very successful and an additional area was started in 2013. The project will be complete in 2014.

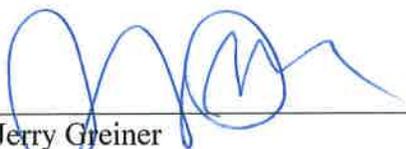
INDEPENDENT AUDIT

Included in this report is an unmodified opinion rendered on the District's financial statements for the year ended December 31, 2013, by CliftonLarsonAllen LLP, a firm of licensed independent certified public accountants. 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
President



Kay Ball
CFO



Government Finance Officers Association

**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, 2012

Executive Director/CEO

DISTRICT OFFICIALS

DECEMBER 31, 2013

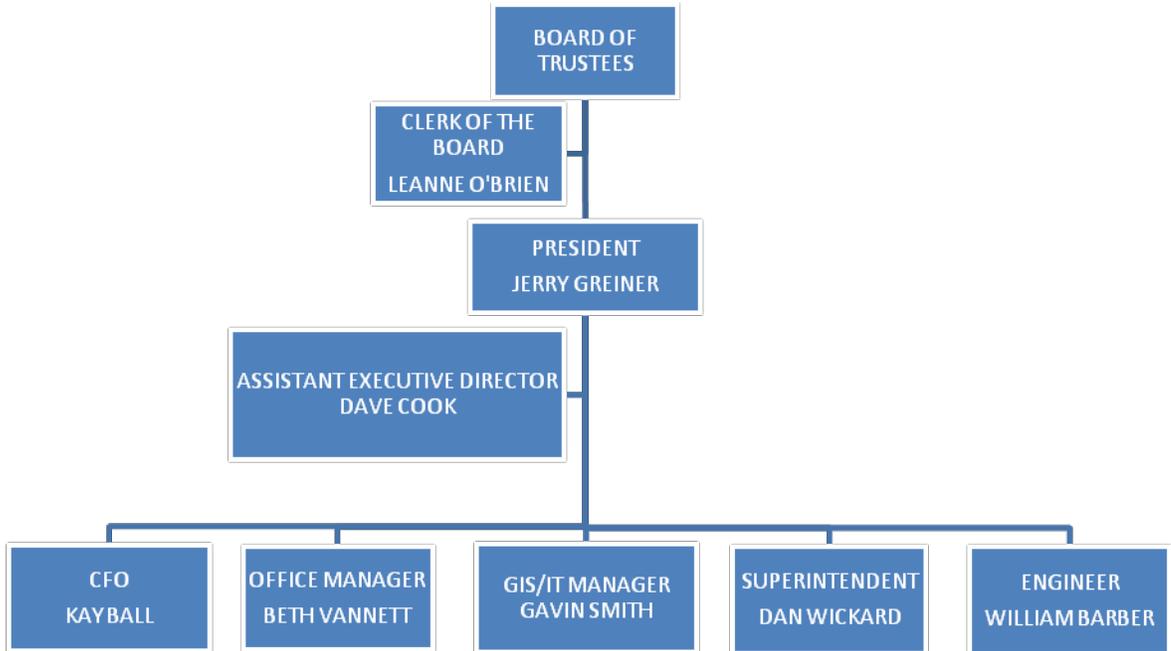
Board of Trustees

<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
Chairman	Lyle Schulte	1/01/99	12/31/16
Vice Chairman	Vacant		
Secretary	John Cheney	7/21/92	12/31/16
Member	Mike Scott	9/05/13	12/31/14
Member	William Hirzel	1/10/08	12/31/14
Member	Melinda Kale	1/11/07	12/31/14
Member	Mark Sheffer	10/05/13	12/31/18
Member	Bill Davies	1/03/13	12/31/18
Member	Leonard Michaels	1/01/11	12/31/16

Senior Staff

Jerry R. Greiner	President
Dave Cook	Assistant Executive Director
Kay Ball	CFO
Bill Barber	Engineer
Gavin Smith	GIS/IT Manager
Dan E. Wickard	Superintendent
Beth A. Vannett	Office Manager

**ORGANIZATIONAL CHART
NORTHWESTERN WATER AND SEWER DISTRICT
DECEMBER 31, 2013**



Number of Employees by Department	
Administration	3
Engineering	12
Operations	32
Finance	3
Office	12
GIS	<u>3</u>
Total Employees December 31, 2013	<u>65</u>



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Northwestern Water & Sewer District (the "District"), as of for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise of the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

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, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages F3 through F8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenue, Expenses, and Changes in Net Position – Budget to Actual (GAAP basis); The Schedule of Net Position – Information by Division; Schedule of Revenues, Expenses and Changes in Net Position – Information by Division; and Schedule of Cash Flows – Information by Division listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue, Expenses, and Changes in Net Position – Budget to Actual (GAAP basis); The Schedule of Net Position – Information by Division; Schedule of Revenues, Expenses and Changes in Net Position – Information by Division; and Schedule of Cash Flows – Information by Division is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 27, 2014 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

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, 2013. 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 \$115,568,165 as of December 31, 2013.
- Net position increased by \$4,008,668 in 2013.
- Of the increase in net position, an increase of \$3,904,099 was attributable to net investment in capital assets. The remaining change of a net increase of \$104,569 was attributable to \$7,660 decrease in restricted net position and \$112,229 increase in unrestricted net position.
- Debt increased \$5,650,870. Retirements of debt principal were \$8,442,931 and new issues of debt principal were \$14,093,801.

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 Position, the Statements of Revenues, Expenses and Changes in Net Position, 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 Position present the District's financial position and report the resources owned by the District (assets), obligations owed by the District (liabilities) and District net position (the difference between assets and liabilities). The Statements of Revenues, Expenses and Changes in Net Position present a summary of how the District's net position 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 position may serve over time as a useful indicator of a government's financial position. The largest portion of the District's net position, \$101.5 million (87.8%) 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 Position

December 31,

(In Thousands of Dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Change			
				<u>2013/2012</u>	<u>2012/2011</u>		
				<u>Amt</u>	<u>%</u>	<u>Amt</u>	<u>%</u>
<u>Assets</u>							
Current assets	\$ 14,336	\$ 14,917	\$ 16,266	\$ 581	3.9%	\$ (1,349)	(8.3)%
Capital assets, net	156,997	147,434	128,809	9,563	6.5	18,625	14.5
Other non-current assets	<u>9,627</u>	<u>10,294</u>	<u>11,685</u>	<u>667</u>	<u>6.5</u>	<u>(1,391)</u>	<u>(11.9)</u>
Total assets	180,960	172,645	156,760	8,315	4.8	15,885	10.1
<u>Liabilities</u>							
Current liabilities	8,687	15,095	8,581	6,408	(42.4)	6,514	75.9
Long-term liabilities	<u>56,705</u>	<u>45,991</u>	<u>40,792</u>	<u>10,714</u>	<u>23.3</u>	<u>5,199</u>	<u>11.3</u>
Total liabilities	65,392	61,086	49,373	4,306	7.0	11,713	23.7
<u>Net Position</u>							
Net Invested in capital assets	101,502	97,598	88,455	3,904	4.0	9,143	10.3
Restricted	4,618	4,626	4,853	(7)	0.2	(228)	(4.7)
Unrestricted	<u>9,448</u>	<u>9,336</u>	<u>14,078</u>	<u>112</u>	<u>1.2</u>	<u>(4,742)</u>	<u>(33.7)</u>
Total net position	<u>\$ 115,568</u>	<u>\$ 111,559</u>	<u>\$ 107,386</u>	<u>\$ 4,009</u>	<u>3.6%</u>	<u>\$ 4,173</u>	<u>3.9%</u>

Net position increased by \$4,009 million during 2013 and by \$4,796 million during 2012. The majority of this change was due to the following:

- Capital assets increased by \$14,753,508 offset by related accumulated depreciation increase of \$5,190,879 in 2013 and \$23,664,129 offset by related depreciation increased by \$5,038,647 in 2012 due mainly to construction of water and sewer lines.
- Debt, including current portion of long-term debt increased by \$5,650,870 in 2013 and increased by \$9,220,512 in 2012 related to borrowing for construction projects.

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Change			
				<u>2013/2012</u>		<u>2012/2011</u>	
				<u>Amt</u>	<u>%</u>	<u>Amt</u>	<u>%</u>
Utility Revenue	\$15,854	\$15,080	\$13,008	\$774	5.1%	\$2,072	15.9%
Fees and Permit	340	295	216	45	15.3	79	36.6
Contract Services	195	230	224	(35)	15.2.	6	2.7
Other	837	445	359	392	88.1	86	23.9
Non-Operating Revenue	491	563	713	(72)	(12.8)	(150)	(21.0)
Total revenues	17,717	16,613	14,520	1,104	6.7	2,093	14.4
Depreciation & Amortization	5,405	5,099	4,685	306	6.0	414	8.8
Other Operating Expense	12,024	10,315	8,864	1,709	16.6	1,451	16.4
Non-Operating Expense	1,977	2,127	2,057	(150)	(7.1)	70	3.4
Total expenses	19,406	17,541	15,606	1,865	10.6	1,935	11.03
Gain/Loss Before Aid In Construction	(1,689)	(928)	(1,086)	(761)	(82)	158	14.6
Aid In Construction	5,698	5,724	9,741	(26)	(0.5)	(4,017)	(41.2)
Changes in net position	\$4,009	\$4,796	\$8,655	\$(787)	16.4%	\$3,859	(44.6)%

Utility revenues increased in 2013 due to rate increases. Utility revenues increased in 2012 due to the City of Rossford and the Village of Cygnet joining the District and bringing 2,600 new customers and the District entering into a bulk water purchase agreement with the City of Toledo.

Other Operating Expense increased in 2013 due to the increase in rates of purchased water from the City of Toledo and increased staffing related to the District taking on the responsibility for billing an additional 6,800 customers previously billed by the City of Toledo.

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Capital Assets

At the end of 2013, the District had \$156,997,011 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$9.6 million, or 6.49% over 2012.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Change			
				<u>2013/2012</u>		<u>2012/2011</u>	
				<u>Amt</u>	<u>%</u>	<u>Amt</u>	<u>%</u>
Land and Easements	\$ 690	\$ 690	\$ 690	\$ -	- %	\$ -	- %
Construction In Progress	9,984	22,956	10,704	12,972	56.5	12,252	114.0
Water and Sewer Lines	112,994	100,589	95,563	12,405	12.3	5,026	5.3
Buildings, Structures & Improvements	24,462	19,859	18,947	4,603	23.2	912	4.8
Equipment	<u>8,867</u>	<u>3,340</u>	<u>2,905</u>	<u>5,527</u>	<u>165.0</u>	<u>435</u>	<u>15.0</u>
Total	<u>\$156,997</u>	<u>\$147,434</u>	<u>\$128,809</u>	<u>\$ 9,563</u>	<u>6.5%</u>	<u>\$18,625</u>	<u>14.5%</u>

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

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

NORTHWESTERN WATER & SEWER DISTRICT

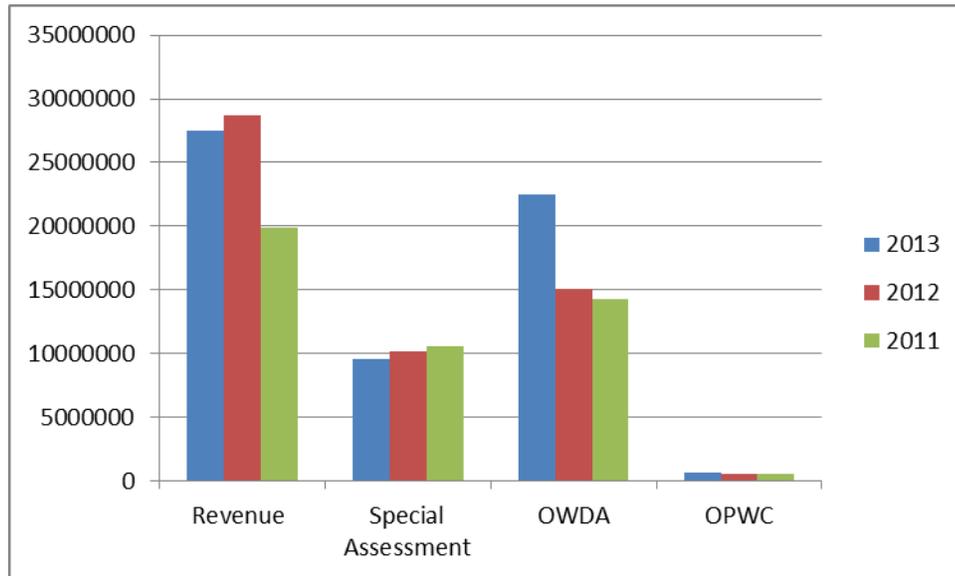
Management's Discussion and Analysis (Unaudited)

Debt Administration

At December 31, 2013 the District had total debt outstanding of \$60,112,354 compared to \$54,461,484 at December 31, 2012. This represents an increase of \$5,650,870. During 2013 the District issued \$14,093,801 of new debt and repaid \$8,442,931 in principal on outstanding debt. At December 31, 2012 the District had total debt outstanding of \$54,461,484 compared to \$45,240,972 at December 31, 2011. This represents an increase of \$9,220,512. During 2012 the District issued \$17,796,123 of new debt and repaid \$8,575,611 in principal on outstanding debt. The District has ratings on its long-term debt of Aa3 from Moody's Investor Service and AA- 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,

	2013	2012	2011
Revenue Bonds and Notes	\$ 27,457,263	\$ 28,734,330	\$ 19,867,054
Special Assessment Bonds and Notes	9,564,608	10,187,828	10,563,104
Ohio Water Development Authority	22,494,978	15,024,208	14,274,363
Ohio Public Works Commission	595,505	515,118	536,451
	<u>\$ 60,112,354</u>	<u>\$ 54,461,484</u>	<u>\$ 45,240,972</u>



Type of Debt By Year

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Economic Factors

Based on the District's 2013 budget, sewer rates were increased 4.58% for a customer using 1,000 cubic feet. Water rates were increased by 2.9%, effective January 1, 2013 for a customer using 1,000 cubic feet of water. The increases in both sewer and water rates is due to the Board of Trustees implementing the policy of including depreciation in rates on a prorated basis over 15 years. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every three years. The District is subject to the general economic slowdown in housing construction seen across the country.

In 2014, the District expects new residential construction to continue to be down substantially from previous years due to the continued down turn in the economy.

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 CFO, 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 POSITION
December 31, 2013 and 2012**

ASSETS	<u>2013</u>	<u>2012</u> <u>(restated)</u>
CURRENT ASSETS		
Cash and cash equivalents – unrestricted (Note 2)	\$ 840,497	\$ 407,632
Cash and cash equivalents – restricted (Note 2)	3,316,784	3,315,968
Investments – unrestricted (Note 2)	3,646,349	3,617,234
Investments – restricted (Note 2)	1,495,127	1,503,603
Accounts receivable – trade	2,617,704	3,376,486
Grants receivable	638,275	963,999
Current portion of special assessments	845,198	838,927
Inventory	825,944	687,381
Prepaid expenses	<u>109,766</u>	<u>205,895</u>
Total current assets	<u>14,335,644</u>	<u>14,917,125</u>
NONCURRENT ASSETS		
Capital assets (Note 3):		
Depreciable:		
Sewer and water lines	182,960,342	167,027,077
Buildings, pumps and lift stations	28,616,530	23,564,897
Machinery and equipment	10,659,941	5,482,523
Vehicles	2,673,903	2,131,999
Furniture and fixtures	463,900	350,234
Computer equipment	1,185,151	929,199
Improvements – Oregon waste water treatment plant	<u>6,580,004</u>	<u>5,927,947</u>
Total depreciable capital assets	233,139,771	205,413,876
Accumulated depreciation and amortization	<u>(86,816,229)</u>	<u>(81,625,350)</u>
Net depreciable capital assets	146,323,542	123,788,526
Nondepreciable:		
Land	672,030	672,030
Easements	17,485	17,485
Construction in progress	<u>9,983,954</u>	<u>22,956,341</u>
Net capital assets	<u>156,997,011</u>	<u>147,434,382</u>
OTHER ASSETS		
Special assessments, less current portion	9,243,065	9,956,434
Reserve with county commissioners (Note 6)	279,171	219,226
Miscellaneous	<u>104,728</u>	<u>118,299</u>
Total other assets	<u>9,626,964</u>	<u>10,293,959</u>
Total noncurrent assets	<u>166,623,975</u>	<u>157,728,341</u>
TOTAL ASSETS	<u>\$ 180,959,619</u>	<u>\$ 172,645,466</u>

LIABILITIES AND NET POSITION	<u>2013</u>	<u>2012</u> <u>(restated)</u>
CURRENT LIABILITIES		
Current portion of long-term debt (Note 4 and 5)	\$ 3,599,787	\$ 8,648,967
Current portion of compensated absences payable (Note 8)	203,184	188,000
Accounts payable – trade	2,721,304	3,898,094
Accrued payroll and payroll taxes	314,027	227,566
Accrued interest payable	611,190	653,988
Accounts due others	<u>1,236,853</u>	<u>1,479,280</u>
Total current liabilities	<u>8,686,345</u>	<u>15,095,895</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion (Note 4 and 5)	56,512,567	45,812,517
Compensated absences payable, less current portion (Note 8)	<u>192,542</u>	<u>177,557</u>
Total long-term liabilities	<u>56,705,109</u>	<u>45,990,074</u>
Total liabilities	<u>65,391,454</u>	<u>61,085,969</u>
NET POSITION		
Net investment in capital assets	101,502,498	97,598,399
Restricted for debt service	4,811,911	4,819,571
Unrestricted	<u>9,253,756</u>	<u>9,141,527</u>
TOTAL NET POSITION	<u>\$ 115,568,165</u>	<u>\$ 111,559,497</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>(restated)</u>
OPERATING REVENUES		
Utility revenue	\$ 15,853,653	\$ 15,080,218
Fees and permits	339,961	294,609
Contract services	194,760	230,123
Other	<u>837,465</u>	<u>444,882</u>
Total operating revenues	<u>17,225,839</u>	<u>16,049,832</u>
OPERATING EXPENSES		
Depreciation and amortization	5,404,998	5,097,231
Labor	2,891,126	2,547,073
Employee benefits	1,244,222	1,126,584
Professional services	1,200,030	835,626
Purchased water and sewer treatment	4,261,120	3,964,071
Materials and supplies	1,283,803	866,674
Utilities	530,371	470,457
Rent	4,523	2,120
Other	<u>608,781</u>	<u>503,914</u>
Total operating expenses	<u>17,428,974</u>	<u>15,413,750</u>
Operating income (loss)	<u>(203,135)</u>	<u>636,082</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	491,219	558,267
Interest expense	(1,937,981)	(2,127,163)
Other income (expense)	<u>(39,142)</u>	<u>4,685</u>
Total nonoperating expenses	(1,485,904)	(1,564,211)
AID IN CONSTRUCTION	<u>5,697,707</u>	<u>5,724,187</u>
Change in net position	4,008,668	4,796,058
NET POSITION		
Beginning of year, as restated	<u>111,559,497</u>	<u>106,763,439</u>
End of year	<u>\$ 115,568,165</u>	<u>\$ 111,559,497</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>(restated)</u>
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 18,310,345	\$ 15,292,775
Cash payments to suppliers for goods and services	(9,336,708)	(3,970,945)
Cash payments to employees for services	<u>(4,018,718)</u>	<u>(3,633,877)</u>
Net cash provided by operations	<u>4,954,919</u>	<u>7,687,953</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Aid in construction	5,697,707	5,724,187
Acquisition and construction of capital assets	(15,170,180)	(23,730,467)
Proceeds from reserve with county commissioners	(59,945)	39,125
Proceeds from sale of capital assets	202,553	9,868
Proceeds from issuance of long-term debt	14,093,801	17,796,123
Repayment of long-term debt	(8,442,931)	(8,575,611)
Collections on special assessments	803,829	1,294,295
Assessed special assessment	(96,731)	(374,293)
Interest paid	<u>(2,019,921)</u>	<u>(2,054,902)</u>
Net cash used in capital and related financing activities	<u>(4,991,818)</u>	<u>(9,871,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	491,219	558,267
Proceeds on sale of investments	2,025,706	3,623,114
Purchases of investments	<u>(2,046,345)</u>	<u>(3,649,422)</u>
Net cash provided by investing activities	<u>470,580</u>	<u>531,959</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	433,681	(1,651,763)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>3,723,600</u>	<u>5,375,363</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 4,157,281</u>	<u>\$ 3,723,600</u>
RESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,316,784</u>	<u>\$ 3,315,968</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 840,497</u>	<u>\$ 407,632</u>

**NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS, CONTINUED
Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u> <u>(restated)</u>
CASH FLOWS FROM OPERATIONS		
Operating income	\$ (203,135)	\$ 636,082
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	5,404,998	5,097,231
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable – trade	758,782	206,942
Grant receivable	325,724	(963,999)
Inventory	(138,563)	609,235
Prepaid and other assets	109,700	(321,992)
Accounts payable – trade	(1,176,790)	1,924,286
Accrued payroll and payroll taxes	86,461	289
Accounts due others	(242,427)	460,388
Compensated absences payable	<u>30,169</u>	<u>39,491</u>
 Total adjustments	 <u>5,158,054</u>	 <u>7,051,871</u>
 Net cash provided by operations	 <u>\$ 4,954,919</u>	 <u>\$ 7,687,953</u>

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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 Village of Bloomdale joined the District effective July 1, 2012. This added over 260 customers and approximately 4.6 miles of water lines and 4.6 miles of sewer lines to the District's system. As part of the agreement, the District has agreed to assume responsibility for all outstanding debt on the Bloomdale system.

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 President 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 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 in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent on the potential component unit. The criterion was considered in determining the reporting entity. The District does not have financial accountability over any entities.

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.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position. The statements of changes in net position 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 March 31 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 an initial maturity of three months or less 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.

Debt Issuance Costs

Debt issuance costs are expensed when incurred.

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. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists primarily of water meters and maintenance parts and supplies for the water and sewer lines.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$5,000.

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 Districts 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 had no capitalized interest for the years ended December 31, 2013 and 2012.

Investments

Investments, repurchase agreements and certificates of deposits are stated at fair value.

Compensated Absences

The District accrues a liability if it is probable that the employee will be compensated through cash payment.

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.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Aid in Construction

Certain types of revenues received by the District for which no value is given in return, including derived tax revenues, imposed non-exchange transactions, government-mandated non-exchange transactions, and voluntary non-exchange 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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position consists 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 position of \$3,284,492 and \$3,014,000 as of December 31, 2013 and 2012, 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. Non-direct expenses are generally allocated based upon management's estimate of costs applicable to the respective divisions. Non-direct expenses were allocated to the sewer and water divisions, 52% and 48% in 2013 and 2012.

Subsequent Events

Management evaluated subsequent events through June 27, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to June 27, 2014 that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2013.

Reclassification

Certain reclassifications of the 2012 amounts have been made to conform to the 2013 presentation.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 carrying value of the Districts deposits was \$1,034,567 and \$601,702 at December 31, 2013 and 2012, respectively. At December 31, 2013, the bank balance of \$2,453,096 was covered by federal depository insurance and \$2,203,096 was covered by collateral held by the pledging financial institution, but not in the name of the District. At December 31, 2012, the bank balance of \$1,639,114 was covered by federal depository insurance and \$1,389,114 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 and subject to custodial credit risk.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, 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 2013 and 2012, the District's investment in Federal Home Loan Bank Notes represents 11% and 21% of the District's total investments, respectively. The District's investment in Federal National Mortgage Association Notes represents 17% and 37% of the District's total investments in 2013 and 2012, respectively. The District's investment in Federal Home Loan Mortgage Corporation notes represents 15% in 2013 (none in 2012).

As of December 31, 2013, the District has not established a formal policy relating to interest rate risk.

The District's investments and cash equivalents consist of the following:

<u>Investment</u>	<u>2013</u>		<u>2012</u>	
	<u>Fair value</u>	<u>Maturity (less than 1 year)</u>	<u>Fair Value</u>	<u>Maturity Less than 1 year</u>
U.S. Treasuries and Federal Agency obligations	\$ 4,862,625	\$ 1,757,427	\$ 5,113,798	\$ 1,218,723
Money market mutual funds	1,313,833	1,313,833	1,042,021	1,042,021
STAR Ohio	<u>2,087,732</u>	<u>2,087,732</u>	<u>2,086,916</u>	<u>2,086,916</u>
Total investments, including restricted	<u>\$ 8,264,190</u>	<u>\$ 5,158,992</u>	<u>\$ 8,242,735</u>	<u>\$ 4,347,660</u>

Investments held by the District at December 31, 2013 and 2012 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No deposits were subject to custodial credit risk.

<u>Investment type</u>	<u>2013</u>				
	<u>Fair value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AAA and BBB</u>	<u>Below BBB</u>
U.S. Agency bonds	\$ 4,862,625	\$ -	\$ 4,862,625	\$ -	\$ -
Money Market Mutual Funds	1,313,833	1,313,833	-	-	-
Star Treasury Reserve of Ohio (STAROhio)	<u>2,087,732</u>	<u>-</u>	<u>2,087,732</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,264,190</u>	<u>\$ 1,313,833</u>	<u>\$ 6,950,357</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

<u>Investment type</u>	<u>Fair value</u>	<u>Not rated</u>	<u>2012</u>		
			<u>AAA</u>	<u>AAA and BBB</u>	<u>Below BBB</u>
U.S. Agency bonds	\$ 5,113,798	\$ -	\$ 5,113,798	\$ -	\$ -
Money Market Mutual Funds	1,042,021	1,042,021	-	-	-
Star Treasury Reserve of Ohio (STAROhio)	<u>2,086,916</u>	<u>-</u>	<u>2,086,916</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,242,735</u>	<u>\$ 1,042,021</u>	<u>\$ 7,200,714</u>	<u>\$ -</u>	<u>\$ -</u>

Classification in the statement of net position:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents:		
Unrestricted	\$ 840,497	\$ 407,632
Restricted for debt retirement	<u>3,316,784</u>	<u>3,315,968</u>
Total	<u>\$ 4,157,281</u>	<u>\$ 3,723,600</u>
Investments:		
Unrestricted	\$ 3,643,349	\$ 3,617,234
Restricted for debt retirement	<u>1,495,127</u>	<u>1,503,603</u>
Total	<u>\$ 5,138,476</u>	<u>\$ 5,120,837</u>

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at December 31, 2013</u>
Non-depreciable:					
Land	\$ 672,030	\$ -	\$ -	\$ -	\$ 672,030
Easements	17,485	-	-	-	17,485
Construction in progress	<u>22,956,341</u>	<u>12,890,212</u>	<u>(31,023)</u>	<u>(25,831,576)</u>	<u>9,983,954</u>
Total non-depreciable	<u>23,645,856</u>	<u>12,890,212</u>	<u>(31,023)</u>	<u>(25,831,576)</u>	<u>10,673,469</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Balance at December 31, 2012	Additions	Retirements	Transfers	Balance at December 31, 2013
Depreciable:					
Sewer and water lines	\$ 167,027,077	\$ 536,582	\$ -	\$ 15,396,683	\$ 182,960,342
Buildings, pumps and lift station	23,564,897	5,851	(83,070)	5,128,852	28,616,530
Machinery and equipment	5,482,523	387,378	-	4,790,040	10,659,941
Vehicles	2,131,999	832,124	(290,220)	-	2,673,903
Furniture and fixtures	350,234	113,666	-	-	463,900
Computer equipment	929,199	268,313	(12,361)	-	1,185,151
Improvements – Oregon waste water treatment plant	<u>5,927,947</u>	<u>136,056</u>	<u>-</u>	<u>516,001</u>	<u>6,580,004</u>
Total depreciable	<u>205,413,876</u>	<u>2,279,970</u>	<u>(385,651)</u>	<u>25,831,576</u>	<u>233,139,771</u>
Totals at historical cost	<u>229,059,732</u>	<u>15,170,182</u>	<u>(416,674)</u>	<u>-</u>	<u>243,813,240</u>
Accumulated depreciation:					
Sewer and water lines	66,441,191	3,524,861	-	-	69,966,052
Buildings, pumps and lift station	7,424,487	933,211	(22,671)	-	8,335,027
Machinery and equipment	3,112,613	379,816	-	-	3,492,429
Vehicles	1,455,615	247,490	(179,087)	-	1,524,018
Furniture and fixtures	228,075	26,757	-	-	254,832
Computer equipment	758,915	973,800	(12,361)	-	843,934
Improvements – Oregon waste water treatment plant	<u>2,204,454</u>	<u>195,483</u>	<u>-</u>	<u>-</u>	<u>2,399,937</u>
Total accumulated depreciation	<u>81,625,350</u>	<u>5,404,998</u>	<u>(214,119)</u>	<u>-</u>	<u>86,816,229</u>
Capital assets, net	<u>\$ 147,434,382</u>	<u>\$ 9,765,184</u>	<u>\$(202,555)</u>	<u>\$ -</u>	<u>\$ 156,997,011</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Capital asset activity for the year ended December 31, 2012 is as follows:

	Balance at December 31, 2011	Additions	Retirements	Transfers	Balance at December 31, 2012
Non-depreciable:					
Land	\$ 672,030	\$ -	\$ -	\$ -	\$ 672,030
Easements	17,485	-	-	-	17,485
Construction in progress	<u>10,703,787</u>	<u>15,723,722</u>	<u>(2,001)</u>	<u>(3,469,167)</u>	<u>22,956,341</u>
Total non-depreciable	<u>11,393,302</u>	<u>15,723,722</u>	<u>(2,001)</u>	<u>(3,469,167)</u>	<u>23,645,856</u>
Depreciable:					
Sewer and water lines	158,634,709	6,901,222	-	1,491,146	167,027,077
Buildings, pumps and lift station	21,638,708	-	-	1,926,189	23,564,897
Machinery and equipment	4,733,582	707,472	(10,363)	51,832	5,482,523
Vehicles	1,901,747	284,226	(53,974)	-	2,131,999
Furniture and fixtures	281,628	68,606	-	-	350,234
Computer equipment	883,980	45,219	-	-	929,199
Improvements – Oregon waste water treatment plant	<u>5,927,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,927,947</u>
Total depreciable	<u>194,002,301</u>	<u>8,006,745</u>	<u>(64,337)</u>	<u>3,469,167</u>	<u>205,413,876</u>
Totals at historical cost	<u>205,395,603</u>	<u>23,730,467</u>	<u>(66,338)</u>	<u>-</u>	<u>229,059,732</u>
Accumulated depreciation:					
Sewer and water lines	63,074,602	3,366,589	-	-	66,441,191
Buildings, pumps and lift station	6,579,086	845,401	-	-	7,424,487
Machinery and equipment	2,804,070	314,415	(5,872)	-	3,112,613
Vehicles	1,306,682	201,645	(52,712)	-	1,455,615
Furniture and fixtures	202,478	25,597	-	-	228,075
Computer equipment	583,589	175,326	-	-	758,915
Improvements – Oregon waste water treatment plant	<u>2,036,196</u>	<u>168,258</u>	<u>-</u>	<u>-</u>	<u>2,204,454</u>
Total accumulated depreciation	<u>76,586,703</u>	<u>5,097,231</u>	<u>(58,584)</u>	<u>-</u>	<u>81,625,350</u>
Capital assets, net	<u>\$ 128,808,900</u>	<u>\$ 18,633,236</u>	<u>\$ (7,754)</u>	<u>\$ -</u>	<u>\$ 147,434,382</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT

The District has 46 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, 2013 and 2012:

<u>Project Number</u>	<u>Date of loan</u>	<u>Original amount</u>	<u>Interest rate</u>	<u>Final payment date</u>	<u>2013 amount outstanding</u>	<u>2012 amount outstanding</u>
SS #140	09/29/94	\$ 1,065,000	4.18%	07/01/14	\$ 76,697	\$ 150,274
WL #234	07/27/95	5,496,313	6.36	01/01/16	1,104,795	1,502,528
WL #167 – 183	05/24/99	3,503,947	5.56	07/01/20	1,677,096	1,868,327
SS #904 & WL #904	08/31/00	1,660,596	3.0 – 6.39	01/01/21	820,917	903,938
WL #300	10/28/04	90,500	4.10	01/01/25	60,716	64,776
WL #318	09/31/04	338,000	4.56	07/01/24	222,444	237,718
SS #1000	11/04/04	168,224	4.56	07/01/24	111,099	118,727
Weston 2918	02/25/93	943,552	2.00	01/01/19	249,267	291,761
Weston 3587	09/26/01	560,079	1.50	07/01/23	300,925	328,618
Weston 4046	02/26/04	420,316	1.50	07/01/25	267,088	287,258
Williamsburg 5097	4/30/09	650,829	3.70	07/01/29	336,880	388,641
Northwood 2069	12/11/97	830,175	5.88	07/01/23	475,240	509,485
Northwood 2070	05/28/98	360,000	5.66	07/01/23	203,893	218,770
Weston 5730	10/27/10	908,842	3.41	01/01/31	725,174	743,408
Custar 444	01/26/06	782,759	1.50	01/01/37	641,602	664,221
Milton Center 4714	05/31/07	757,375	1.00	07/01/38	646,347	668,998
Stony Ridge 5744	12/09/10	1,972,170	1.37	12/09/13	-	1,991,357
Fixed Base						
Metering 5865	05/26/11	1,969,940	4.45	07/01/31	1,758,391	1,632,248
Rossford 2495	10/31/96	2,048,159	4.12	01/01/17	488,557	615,807
Weston 5867	05/26/11	1,389,150	-	01/01/33	1,341,697	1,376,426
Bloomdale 4329	06/30/05	530,152	2.00	01/01/36	425,661	433,122
Country Manor SS Force						
Main 6113	12/08/11	27,800	2.30	07/01/17	22,491	27,800
Rossford 6457	05/30/13	454,582	3.44	01/01/44	320,715	-
Rossford 6464	05/30/13	1,298,907	2.67	01/01/34	731,537	-
Rossford 6475	06/27/13	2,153,389	2.59	07/01/34	665,038	-
Oregon SS Basin 6539	09/26/13	325,165	3.39	01/01/19	55,682	-
Five Point 6581	10/31/13	1,105,909	2.89	07/01/34	259,723	-
Bairdstown 6019	09/28/11	21,000	-	07/01/17	15,800	-
Custar WL 6231	06/28/12	596,739	-	07/01/43	515,854	-
Cygnets 6335	12/06/12	751,817	3.19	07/01/43	606,289	-
Five Point 6119	10/27/11	10,500	-	07/01/17	7,400	-
Ford Rd 6234	06/28/12	60,000	2.14	07/01/17	24,628	-
Homecraft SS Laterals						
6309	10/25/12	554,528	2.48	07/01/33	494,270	-
Huffman Rd 6118	12/08/11	17,500	-	01/01/19	11,921	-
Jennings Rd 6382	01/31/13	767,692	2.94	01/01/44	765,190	-
Milton Center 6230	06/28/12	842,856	-	07/01/43	707,446	-
Morton Building 6396	02/28/13	381,694	3.09	01/01/43	377,786	-
Oregon SS Basin 6233	06/28/12	60,000	2.64	07/01/17	48,621	-
Perrysburg Twp 6260	08/30/12	193,950	3.36	07/01/42	184,274	-

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 4 - DEBT (CONTINUED)

<u>Project Number</u>	<u>Date of loan</u>	<u>Original amount</u>	<u>Interest rate</u>	<u>Final payment date</u>	<u>2013 amount outstanding</u>	<u>2012 amount outstanding</u>
Rossford Clearwell 6383	01/31/13	3,777,878	2.94	01/01/44	\$ 3,173,025	\$ -
Rossford Tree St 6120	12/08/11	37,000	2.55	01/01/18	(3,493)	-
Rossford Tree St 6340	12/06/12	166,114	2.44	07/01/18	47,409	-
Rossford Tree St 6232	06/28/12	858,032	2.64	07/01/32	801,178	-
Rudolph 6107	12/08/11	10,000	-	01/01/18	9,000	-
Rudolph 6169	04/26/12	52,750	2.00	01/01/18	12,192	-
Stony Ridge 6397	02/28/13	694,644	3.09	01/01/44	694,644	-
Sugar Ridge 6308	10/25/12	79,275	1.98	01/01/18	11,872	-
Total					<u>\$ 22,494,978</u>	<u>\$ 15,024,208</u>

Other long-term loans at December 31, 2013 and 2012 are as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2013 amount outstanding</u>	<u>2012 amount outstanding</u>
08/13/98	Jerry City SS #1800 OPWC Loan	-	07/01/19	\$ 151,708	\$ 176,992
09/08/98	Jerry City SS #1800 USDA Loan	4.75	09/08/38	233,800	238,700
07/01/03	W. Boundary Rehab OPWC Loan	-	07/01/13	-	17,298
12/05/05	Easterly OPWC Loan	-	01/01/17	60,663	77,995
07/31/04	Jerry City WL #CE37F	-	01/01/25	111,619	121,326
11/03/04	Rudolph SS #CE33E	-	07/01/24	45,560	49,702
07/01/07	Village of Custar #CE411	-	01/01/27	16,875	18,125
08/29/11	Huntington Equipment Lease	2.08	08/29/16	149,035	202,804
06/01/96	OPWC Bloomdale CE827	3.00	01/01/16	33,352	41,322
07/01/06	OPWC Bloomdale CT17H	-	07/01/26	11,901	12,358
07/01/14	OPWC Rossford Tree St SS Improvements	-	01/01/34	163,827	-
12/05/13	Huntington Equipment Lease 2013	2.05	12/05/18	718,760	-
Total				<u>\$ 1,697,100</u>	<u>\$ 956,622</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

Bonded debt at December 31, 2013 and 2012 is as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Original amount</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2013 amount outstanding</u>	<u>2012 amount outstanding</u>
09/17/96	Special Assessment Bond	\$ 277,159	6.20%	12/01/16	\$ 42,000	\$ 55,000
10/01/98	Special Assessment Bond	360,000	4.25 -			
			5.25	10/01/18	95,000	110,000
09/23/99	Special Assessment Bond	500,000	5.85	12/01/19	210,000	240,000
09/20/00	Special Assessment Bond	175,000	6.13	12/01/20	65,000	75,000
03/20/03	USDA Building Construction	2,975,000	4.63	03/20/33	2,384,923	2,456,639
09/01/03	Special Assessment Bond	1,245,000	2.00 -			
			5.35	09/01/23	-	60,000
06/28/04	USDA Revenue Bond	796,000	4.375	06/01/44	720,600	731,500
09/15/04	Revenue Bond	2,165,000	2.00 -			
			5.00	12/01/24	1,414,919	1,517,262
09/15/04	Special Assessment Bond	2,000,000	2.00 -			
			5.00	12/01/24	1,290,000	1,380,000
08/01/05	Revenue Bond	1,200,000	3.00 -			
			5.00	12/01/25	858,300	911,490
08/16/06	Special Assessment Bond	1,010,000	4.00 -			
			4.65	12/31/26	760,000	800,000
02/16/06	Rotary Commission Loan	168,026	5.00	03/01/26	125,622	125,622
08/27/08	Revenue Bond	6,910,000	3.00 -			
			5.00	12/01/28	5,675,000	5,940,000
09/03/08	Special Assessment Bond	2,205,000	3.00	12/01/28	1,878,716	1,966,697
05/27/09	USDA Revenue Bond	2,400,000	4.25	05/01/49	2,298,500	2,325,500
06/08/10	2010 Special Assessment Bond	2,350,000	3.50 -			
			6.28	12/01/30	2,125,000	2,205,000
06/08/10	2010 Revenue Bond	2,350,000	5.00 -			
			6.23	12/01/30	2,135,000	2,210,000
09/26/12	USDA Cygnet Water	638,879	2.75	06/01/42	624,893	638,879
09/26/12	USDA Cygnet Sewer	967,990	2.75	06/01/42	946,800	967,990
04/16/12	Huntington Bank Building BAN	3,600,000	1.75	04/04/13	-	3,600,000
03/23/12	2012 Revenue Bond	3,870,000	2.00 -			
			4.00	12/01/31	3,368,444	3,618,444
03/23/12	2012 Special Assessment Bond	2,880,000	2.00 -			
			4.00	12/01/24	2,614,551	2,794,547
09/26/12	USDA Building Renovation	2,787,892	2.75	06/01/42	3,061,608	2,787,892
06/28/12	USDA West Millgrove	291,385	2.00	06/01/52	619,739	291,385
06/28/12	USDA Hoytville	671,807	2.00	06/01/52	660,661	671,807
01/03/13	USDA Stony Ridge	1,945,000	2.50	01/01/53	1,945,000	-
	Total				<u>\$ 35,920,276</u>	<u>\$ 38,480,654</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

Long-term debt activity for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>				<u>Amount due in 2014</u>
	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2013</u>	
OWDA:					
SS #140	\$ 150,274	\$ -	\$ 73,577	\$ 76,697	\$ 76,697
WL #234	1,502,528	-	397,733	1,104,795	423,029
WL #167 – 183	1,868,327	-	191,231	1,677,096	202,012
SS #904 & WL #904	903,938	-	83,021	820,917	88,412
SS #1000	118,727	-	7,628	111,099	7,980
WL #300	64,776	-	4,060	60,716	4,228
Weston 2918	291,761	-	42,494	249,267	43,344
Weston 3587	328,618	-	27,693	300,925	28,109
Weston 4046	287,258	-	20,170	267,088	20,474
Williamsburg 5097	388,641	-	51,761	336,880	15,767
Custar 4444	664,221	-	22,619	641,602	22,959
Milton Center 4714	668,998	-	22,651	646,347	22,878
Weston Water Tower 5730	743,408	-	18,234	725,174	30,900
Stony Ridge 5744	1,991,357	-	1,991,357	-	-
Fixed Base Metering 5865	1,632,248	126,143	-	1,758,391	65,480
Rossford 2495	615,807	-	127,250	488,557	132,547
Weston 5867	1,376,426	-	34,729	1,341,697	68,805
OPWC – Custar	18,125	-	1,250	16,875	1,250
Jerry City SS #1800 OPWC Loan	176,992	-	25,284	151,708	25,284
Jerry City SS #1800 USDA Loan	238,700	-	4,900	233,800	5,000
W. Boundary Rehab OPWC Loan	17,298	-	17,298	-	-
Jerry City WL #CE37F (WL 318)	121,326	-	9,707	111,619	9,706
Easterly OPWC Loan	77,995	-	17,332	60,663	17,332
Rudolph SS1000 #CE33E	49,702	-	4,142	45,560	4,142
Bloomdale CW827 OPWC	41,322	-	7,970	33,352	13,366
Bloomdale CT17H OPWC	12,358	-	457	11,901	916
Special assessments bond – WL 183C	55,000	-	13,000	42,000	14,000
Special assessments bond	110,000	-	15,000	95,000	15,000
Special assessments bond – 1999	240,000	-	30,000	210,000	30,000
Special assessments bond – 2000	75,000	-	10,000	65,000	10,000
USDA building construction	2,456,639	-	71,716	2,384,923	75,032
Special assessments bond – 2003	60,000	-	60,000	-	-
USDA Revenue Bond – Rudolph Bond	731,500	-	10,900	720,600	11,400
Special Assessment Bond – Series 2004B	1,517,262	-	102,343	1,414,919	100,000
Revenue Bond – Series 2004A	1,380,000	-	90,000	1,290,000	95,000
OWDA Jerry City – WL 318	237,718	-	15,274	222,444	15,978
Revenue bond – Series 2005A	911,490	-	53,190	858,300	50,000
2006A Special Assessment Bond	800,000	-	40,000	760,000	45,000
Rotary Commission Loan	125,622	-	-	125,622	125,622
2008 Revenue Bond	5,940,000	-	265,000	5,675,000	275,000

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

	2013				
	Balance at December 31, 2012	Additions	Reductions	Balance at December 31, 2013	Amount due in 2014
2008 Special Assessment Bond	\$ 1,966,697	\$ -	\$ 87,981	\$ 1,878,716	\$ 85,000
OWDA Northwood – 2069	509,485	-	34,245	475,240	36,259
OWDA Northwood – 2070	218,770	-	14,877	203,893	15,718
USDA Rising Sun	2,325,500	-	27,000	2,298,500	28,100
2010 Revenue Bonds	2,210,000	-	75,000	2,135,000	80,000
2010 Special Assessment Bonds	2,205,000	-	80,000	2,125,000	80,000
Huntington Equipment Lease	202,804	-	53,769	149,035	55,011
USDA Cygnet Water	638,879	-	13,986	624,893	14,364
USDA Cygnet Sewer	967,990	-	21,190	946,800	21,763
OWDA Bloomdale 4329	433,122	-	7,461	425,661	15,148
OWDA Country Manor	27,800	-	5,309	22,491	5,432
USDA Building Renovation	2,787,892	273,716	-	3,061,608	70,384
USDA West Millgrove	291,385	328,354	-	619,739	10,642
USDA Hoytville	671,807	-	11,146	660,661	11,300
Series 2012 Revenue Bonds	3,618,444	-	250,000	3,368,444	245,000
Series 2012 Special Assessment Bonds	2,794,547	-	179,996	2,614,551	240,000
Huntington Bank Bond	3,600,000	-	3,600,000	-	-
OWDA:					
Rossford 6457	-	320,715	-	320,715	3,095
Rossford 6464	-	731,537	-	731,537	13,958
Rossford 6475	-	665,038	-	665,038	-
Oregon SS Basin 6539	-	55,682	-	55,682	5,157
Five Point 6581	-	259,723	-	259,723	-
Bairdstown 6019	-	15,800	-	15,800	4,200
Custar WL 6231	-	515,854	-	515,854	17,195
Cygnet 6335	-	606,289	-	606,289	12,305
Five Point 6119	-	7,400	-	7,400	2,100
Ford Rd 6234	-	24,628	-	24,628	5,962
Homecraft SS Laterals 6309	-	494,270	-	494,270	19,358
Huffman Rd 6118	-	11,921	-	11,921	1,192
Jennings Rd 6382	-	765,190	-	765,190	8,033
Milton Center 6230	-	707,446	-	707,446	23,582
Morton Building 6396	-	377,786	-	377,786	7,998
Oregon SS Basin 6233	-	48,621	-	48,621	11,681
Perrysburg Twp 6260	-	184,274	-	184,274	3,835
Rossford Clearwell 6383	-	3,173,025	-	3,173,025	33,310
Rossford Tree St 6120	-	(3,493)	-	(3,493)	-
Rossford Tree St 6340	-	47,409	-	47,409	-
Rossford Tree St 6232	-	801,178	-	801,178	34,767
Rudolph 6107	-	9,000	-	9,000	2,000
Rudolph 6169	-	12,192	-	12,192	2,709
Stony Ridge 6397	-	694,644	-	694,644	7,112
Sugar Ridge 6308	-	11,872	-	11,872	2,548
OPWC – Rossford Tree St SS Improvements	-	163,827	-	163,827	4,096
USDA – Stony Ridge Equipment Lease – Huntington 2013	-	1,945,000	-	1,945,000	28,900
	-	718,760	-	718,760	137,924
Total	<u>\$ 54,461,484</u>	<u>\$ 14,093,801</u>	<u>\$ 8,442,931</u>	<u>\$ 60,112,354</u>	<u>\$ 3,599,787</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

	<u>2012</u>				
	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2012</u>	<u>Amount due in 2013</u>
OWDA:					
SS #140	\$ 220,870	\$ -	\$ 70,596	\$ 150,274	\$ 73,578
WL #234	1,876,478	-	373,950	1,502,528	397,733
WL #167 – 183	2,049,353	-	181,026	1,868,327	191,231
SS #904 & WL #904	981,898	-	77,960	903,938	83,022
SS #1000	126,019	-	7,292	118,727	7,628
WL #300	68,675	-	3,899	64,776	4,060
Weston 2918	333,421	-	41,660	291,761	42,494
Weston 3587	355,900	-	27,282	328,618	27,693
Weston 4046	307,129	-	19,871	287,258	20,170
Williamsburg 5097	412,816	-	24,175	388,641	16,778
Custar 4444	686,504	-	22,283	664,221	22,619
Milton Center 4714	691,424	-	22,426	668,998	22,651
Weston Water Tower 5730	781,954	-	38,546	743,408	28,372
Stony Ridge 5744	1,964,971	26,386	-	1,991,357	1,991,357
Fixed Base Metering 5865	1,522,165	172,880	62,797	1,632,248	56,164
Rosford 2495	737,972	-	122,165	615,807	127,250
Weston 5867	129,818	1,246,608	-	1,376,426	34,411
OPWC – Custar	19,375	-	1,250	18,125	1,250
Jerry City SS #1800 OPWC Loan	202,277	-	25,285	176,992	25,285
Jerry City SS #1800 USDA Loan	243,100	-	4,400	238,700	4,900
W. Boundary Rehab OPWC Loan	34,596	-	17,298	17,298	17,298
Jerry City WL #CE37F (WL 318)	131,032	-	9,706	121,326	9,706
Easterly OPWC Loan	95,327	-	17,332	77,995	17,332
Rudolph SS1000 #CE33E	53,844	-	4,142	49,702	4,142
Bloomdale CW827 OPWC	-	41,322	-	41,322	-
Bloomdale CT17H OPWC	-	12,358	-	12,358	-
Special assessments bond – WL 183C	69,000	-	14,000	55,000	13,000
Special assessments bond	125,000	-	15,000	110,000	15,000
Special assessments bond – 1999	265,000	-	25,000	240,000	30,000
Special assessments bond – 2000	80,000	-	5,000	75,000	10,000
2002 revenue bond	1,335,000	-	1,335,000	-	-
Special assessments bond – Stearns Crest	556,000	-	556,000	-	-

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

	2012				
	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Amount due in 2013
Special assessments bond – 2002	\$ 50,473	\$ -	\$ 50,473	\$ -	\$ -
Special assessments bond – 2002	764,527	-	764,527	-	-
USDA building construction	2,525,184	-	68,545	2,456,639	71,716
Special assessments bond – 2003	880,000	-	820,000	60,000	60,000
USDA Revenue Bond – Rudolph Bond	741,900	-	10,400	731,500	10,900
USA special Assessment Bond – Jerry City	615,100	-	615,100	-	-
Special Assessment Bond – Series 2004B	1,619,604	-	102,342	1,517,262	100,000
Revenue Bond – Series 2004A	1,470,000	-	90,000	1,380,000	90,000
OWDA Jerry City – WL 318	252,318	-	14,600	237,718	15,273
Revenue bond – Series 2005A	964,682	-	53,192	911,490	50,000
2006A Special Assessment Bond	840,000	-	40,000	800,000	40,000
Rotary Commission Loan	125,622	-	-	125,622	125,622
2008 Revenue Bond	6,194,999	-	254,999	5,940,000	265,000
2008 Special Assessment Bond	2,049,678	-	82,981	1,966,697	85,000
OWDA Northwood – 2069	541,829	-	32,344	509,485	34,245
OWDA Northwood – 2070	232,849	-	14,079	218,770	14,877
USDA Rising Sun	2,351,400	-	25,900	2,325,500	27,000
Bank of the West	180,408	-	180,408	-	-
2010 Revenue Bonds	2,280,000	-	70,000	2,210,000	75,000
2010 Special Assessment Bonds	2,280,000	-	75,000	2,205,000	80,000
Huntington Equipment Lease	255,481	-	52,677	202,804	54,283
USDA Cygnet Water	643,000	-	643,000	-	-
USDA Cygnet Sewer	925,000	-	925,000	-	-
USDA Cygnet Water	-	638,879	-	638,879	13,986
USDA Cygnet Sewer	-	967,990	-	967,990	21,191
OWDA Bloomdale 4329	-	447,825	14,703	433,122	7,462
OWDA Country Manor	-	27,800	-	27,800	5,309
USDA Building Renovation	-	2,787,892	-	2,787,892	61,011
USDA West Millgrove	-	291,385	-	291,385	4,823
USDA Hoytville	-	671,807	-	671,807	11,145
Series 2012 Revenue Bonds	-	3,903,444	285,000	3,618,444	250,000
Series 2012 Special Assessment Bonds	-	2,959,547	165,000	2,794,547	180,000
Huntington Bank Bond	-	3,600,000	-	3,600,000	3,600,000
Total	<u>\$ 45,240,972</u>	<u>\$ 17,796,123</u>	<u>\$ 8,575,611</u>	<u>\$ 54,461,484</u>	<u>\$ 8,648,967</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 4 - DEBT (CONTINUED)

Bond Refundings

In 2012, the District issued two refunding bonds totaling \$6,750,000 to refund \$4,068,800 of outstanding bonds. The details of the refunding bonds are detailed below.

On March 23, 2012, the District issued \$2,880,000 in governmental refunding bonds with an interest cost of 2% – 4% to refund \$2,733,800 of outstanding series bonds with an interest cost of 2.00 – 5.35%. The net proceeds of \$2,959,547 (after payment of \$79,547 bond premium) were used to purchase U.S. government securities. The refunding resulted in a deferred loss of \$30,161. This amount will be amortized using the straight line method and charged to interest expense over the next ten years. The District in effect reduced its aggregate debt service payment by \$268,119 over the next ten years and realized an economic gain of \$250,485.

On March 23, 2012, the District issued \$3,870,000 in business-type refunding bonds with an interest cost of 2% – 4% to refund \$1,335,000 of outstanding series bonds with an interest cost of 4.65% – 5.25%. The net proceeds of \$1,414,774 (after payment of \$33,444 bond premium) were used to purchase U.S. government securities; \$2,582,660 was used to pay-off an outstanding bond issue for Rossford per the assignment and assumption agreement; and \$137,032 was used to pay issuance costs of the bonds. As a result, these bonds are considered to be defeased and all the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in the deferred loss of \$54,976. This amount will be amortized using the straight line method and charged to interest expense over the next nine years. The District in effect reduced its aggregate debt service payment by \$375,496 over the next nine years and realized an economic gain of \$332,465.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2013 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,599,787	\$ 2,039,994	\$ 5,639,781
2015	3,437,881	2,017,456	5,455,337
2016	3,305,935	1,884,558	5,190,493
2017	3,058,450	1,758,994	4,817,444
2018	3,245,824	1,649,470	4,895,294
2019 – 2023	14,483,859	6,628,120	21,111,979
2024 – 2028	11,832,217	3,868,692	15,700,909
2029 – 2033	7,098,614	1,894,252	8,922,866
2034 – 2038	3,711,456	1,091,430	4,802,886
2039 – 2043	3,567,814	584,110	4,151,924
2044 – 2048	1,223,710	199,289	1,422,999
2049 – 2053	<u>1,546,807</u>	<u>41,723</u>	<u>1,588,530</u>
Total	<u>\$60,112,354</u>	<u>\$23,658,088</u>	<u>\$83,770,442</u>

At December 31, 2013 and 2012, respectively, the District had \$4,811,911 and \$4,819,571 in cash and cash equivalents and investments restricted in accordance with loan agreements.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013 and 2012, \$54,000 and \$107,000, respectively, in special assessment debt related to the District is outstanding. This debt is backed by the full faith and credit of the County and is not reflected in the District's financial statements.

During the formation of the District, the County retained \$208,000 to establish a reserve to fund shortfalls in the collection of the above special assessments. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to remit to the District any balance that may be remaining in this reserve. During 2012, the County made \$39,125 withdrawals from the reserves (none in 2013); withdrawals in prior years have reduced this reserve to \$144,230 and \$144,226 as of December 31, 2013 and 2012, respectively.

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.

At December 31, 2013 and 2012, \$1,884,887 and \$1,895,761, 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 2013 and 2012, 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 (OPERS), a statewide cost-sharing multiple-employer defined benefit pension plan. OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS 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. OPERS 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).

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS (CONTINUED)

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (“TP”) – a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan (“MD”) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The Combined Plan (“CO”) – a cost-sharing, multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits.

Funding Policy

The Ohio Revised Code provides statutory authority for member and employer contributions. In 2013 and 2012, members other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. 2013 and 2012 employer contribution rates for local government employer units were 14.0% of covered payroll including 1% and 4% that is used to fund postretirement health care benefits for 2013 and 2012 respectively. The District’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement health care benefits) for the years ended December 31, 2013, 2012 and 2011 were \$471,915, \$427,971, and \$377,002, respectively, equal to 100% of the required contribution for each year.

Benefits Provided through OPERS

The District provides health care benefits as a post-employment benefit (as defined by GASB Statement No. 45) through its contributions to OPERS. In addition to the pension benefit described above, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB), as described in GASB Statement No. 45.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS (CONTINUED)

Benefits Provided through OPERS, Continued

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. For the District, the contribution rate used to fund health care was 1.0% of covered payroll for 2013 and 4.0% of covered payroll for 2012. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

OPEB provided through OPERS are advance-funded on an actuarially determined basis.

The District's contributions to OPERS for other post-employment benefits for the years ended December 31, 2013, 2012, and 2011 were \$31,146, \$116,518, and \$98,075, respectively, equal to 100% of the required contributions for each year.

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement makes significant changes to the manner in which governments, include the District, must account for and report the pensions provided to their employees. Among other requirements, Statement No. 68 will require the District to record a liability equal to its proportionate share of the total net pension liability of all participating employers in OPERS, and it will require the District to record expense equal to its proportionate share of total pension expense of all participating employers in OPERS. Currently, the District's pension expense is equal to its required contributions to OPERS, and a liability is recorded only when actual contributions are less than the required amount. Statement No. 68 will require additional footnote disclosures as well. This statement is effective for the District in the year ended December 31, 2015, and as such, the District has not yet determined the impact that this statement will have on its financial statements.

In November, 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." This statement addresses an issue regarding application of the transition provision of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will not be effective for the District until the year ended December 31, 2015, and as such, the District has not yet determined the impact that this statement will have on its financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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.

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.

Compensated absences activity for the year December 31, 2013 is as follows:

	December 31, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2013</u>
Sick leave payable	\$ 195,266	\$ 29,086	\$ 15,810	\$ 208,542
Vacation pay	129,068	182,017	173,826	137,259
Compensatory time	<u>41,223</u>	<u>97,723</u>	<u>89,021</u>	<u>49,925</u>
Total	<u>\$ 365,557</u>	<u>\$ 308,826</u>	<u>\$ 278,657</u>	<u>\$ 395,726</u>

The District estimates \$203,184 of compensated absences will be paid in 2014.

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 2013 and 2012. There have been no significant reductions in insurance coverage from 2010, and no insurance settlement has exceeded insurance coverage during the last five years.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013.

Construction Commitments

At December 31, 2013, the District has construction commitments, on which work has not commenced, totalling approximately \$6,955,000 which will be funded by existing resources or the issuance of new revenue debt. All projects were current at December 31, 2013.

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. At December 31, 2013, there are five such ordered areas with preliminary or updated cost estimates totaling \$3.9 million for projects commencing or finishing over the next few years. These projects will be paid for by federal and state financial assistance and by the property owners benefiting from the projects through real estate special assessments and connection fees.

The District had approximately \$3,440,993 at December 31, 2013 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,884,887 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.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 11 - SEGMENT INFORMATION

Significant financial data for the respective divisions of the December 31, 2013 and 2012 is as follows:

Statement of Net Position

	2013			2012 (Restated)		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets	\$ 7,095,301	\$ 7,240,343	\$ 14,335,644	\$ 7,176,598	\$ 7,740,527	\$ 14,917,125
Capital assets	71,209,426	85,787,585	156,997,011	63,353,722	84,080,660	147,434,382
Other assets	<u>6,281,219</u>	<u>3,345,745</u>	<u>9,626,964</u>	<u>6,931,400</u>	<u>3,542,559</u>	<u>10,293,959</u>
Total assets	<u>84,585,946</u>	<u>96,373,673</u>	<u>180,959,619</u>	<u>77,281,720</u>	<u>95,543,746</u>	<u>172,645,466</u>
Current liabilities	4,474,982	4,211,363	8,686,345	6,208,364	8,887,531	15,095,895
Long-term liabilities	<u>27,690,760</u>	<u>29,014,349</u>	<u>56,705,109</u>	<u>22,005,503</u>	<u>23,984,571</u>	<u>45,990,074</u>
Total liabilities	<u>32,165,742</u>	<u>33,225,712</u>	<u>65,391,454</u>	<u>28,213,867</u>	<u>32,872,102</u>	<u>61,085,969</u>
Net investment in capital assets	44,476,543	57,044,405	101,502,498	40,858,278	56,740,121	97,598,399
Restricted	2,938,130	1,873,781	4,811,911	2,946,250	1,873,321	4,819,571
Unrestricted	<u>5,185,531</u>	<u>4,068,225</u>	<u>9,253,756</u>	<u>5,263,325</u>	<u>3,878,202</u>	<u>9,141,527</u>
Total net position	<u>\$ 52,600,204</u>	<u>\$ 62,967,961</u>	<u>\$ 115,568,165</u>	<u>\$ 49,067,853</u>	<u>\$ 62,491,644</u>	<u>\$ 111,559,497</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 11 - SEGMENT INFORMATION (CONTINUED)

Statements of Revenues, Expenses, and Change in Net Position

	<u>2013</u>			<u>2012 (Restated)</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Utility revenues	\$ 10,049,093	\$ 5,804,560	\$ 15,853,653	\$ 9,659,619	\$ 5,420,599	\$ 15,080,218
Other revenues	<u>617,778</u>	<u>754,408</u>	<u>1,372,186</u>	<u>597,182</u>	<u>372,432</u>	<u>969,614</u>
Total operating revenues	<u>10,666,871</u>	<u>6,558,968</u>	<u>17,225,839</u>	<u>10,256,801</u>	<u>5,793,031</u>	<u>16,049,832</u>
Depreciation and amortization	2,302,774	3,102,224	5,404,998	2,156,451	2,940,780	5,097,231
Other operating expenses	<u>7,834,890</u>	<u>4,189,086</u>	<u>12,023,976</u>	<u>6,873,773</u>	<u>3,442,746</u>	<u>10,316,519</u>
Total operating expenses	<u>10,137,664</u>	<u>7,291,310</u>	<u>17,428,974</u>	<u>9,030,224</u>	<u>6,383,526</u>	<u>15,413,750</u>
Operating income (loss)	<u>529,207</u>	<u>(732,342)</u>	<u>(203,135)</u>	<u>1,226,577</u>	<u>(590,495)</u>	<u>636,082</u>
Interest expense	(964,493)	(973,488)	(1,937,981)	(1,045,863)	(1,081,300)	(2,127,163)
Other nonoperating revenues	<u>283,399</u>	<u>168,678</u>	<u>452,077</u>	<u>372,615</u>	<u>190,337</u>	<u>562,952</u>
Total non-operating revenues (expenses)	(681,094)	(804,810)	(1,485,904)	(673,248)	(890,963)	(1,564,211)
Aid in construction	<u>3,684,238</u>	<u>2,013,469</u>	<u>5,697,707</u>	<u>1,149,979</u>	<u>4,574,208</u>	<u>5,724,187</u>
Change in net position	3,532,351	476,317	4,008,668	1,703,308	3,092,750	4,796,058
Net position:						
Beginning of year	<u>49,067,853</u>	<u>62,491,644</u>	<u>111,559,497</u>	<u>47,364,545</u>	<u>59,398,894</u>	<u>106,763,439</u>
End of year	<u>\$ 52,600,204</u>	<u>\$ 62,967,961</u>	<u>\$ 115,568,165</u>	<u>\$ 49,067,853</u>	<u>\$ 62,491,644</u>	<u>\$ 111,559,497</u>

Statement of Cash Flows

	<u>2013</u>			<u>2012</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net cash provided by operating activities	\$ 2,975,835	\$ 1,979,084	\$ 4,954,919	\$ 4,465,672	\$ 3,222,281	\$ 7,687,953
Capital and related financing	(2,810,815)	(2,181,003)	(4,991,818)	(4,739,439)	(5,132,236)	(9,871,675)
Investing	287,619	182,961	470,580	358,984	172,975	531,959
Cash at beginning of year	<u>1,822,106</u>	<u>1,901,494</u>	<u>3,723,600</u>	<u>1,736,889</u>	<u>3,638,474</u>	<u>5,375,363</u>
Cash at end of year	<u>\$ 2,274,745</u>	<u>\$ 1,882,536</u>	<u>\$ 4,157,281</u>	<u>\$ 1,822,106</u>	<u>\$ 1,901,494</u>	<u>\$ 3,723,600</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the year, the District adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources. As a result, prior bond issuance costs, previously recorded as an asset, have been expensed.

As a result, net position of the District have been restated as follows:

	<u>2012</u>	<u>2011</u>
Net position at January 1, as previously reported	\$ 111,976,123	\$ 107,386,437
Reflect deferred loan fee changes per GASB 65	<u>(416,626)</u>	<u>(622,998)</u>
Net positions at January 1, as restated	<u>\$ 111,559,497</u>	<u>\$ 106,763,439</u>

As a result of the prior period adjustment, previously reported depreciation and amortization expense of \$5,303,603 for the year ended December 31, 2012, was decreased to \$5,097,231.

The correction resulted in a restatement of the previously reported change in net position for the year ended December 31, 2012 as follows:

As previously reported	\$ 4,589,686
Correction for amortization expense	<u>206,372</u>
Change in net positions, as restated	<u>\$ 4,796,058</u>

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTARY INFORMATION

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
Year Ended December 31, 2013

	Original budget	Final budget	Actual	Variance with final budget over (under)
REVENUES				
Operating revenue:				
Utility revenues	\$ 15,900,000	\$ 15,600,000	\$ 15,673,653	\$ 73,653
Other operating revenues	666,000	1,166,000	1,372,186	206,186
Non-operating revenue – interest	540,000	540,000	491,219	(48,781)
Total revenues	17,106,000	17,306,000	17,537,058	231,058
EXPENSES				
Operating expenses:				
Operations and maintenance	11,817,376	12,197,376	11,843,976	353,400
Debt retirement	4,900,000	4,900,000	10,420,054	(5,520,054)
Total expenses	16,717,376	17,097,376	22,264,030	(5,166,654)
Operating loss	388,624	208,624	(4,726,972)	(4,935,596)
RECONCILIATION TO CHANGE IN NET POSITION				
Aid on construction:				
Grants	3,603,900	3,603,900	4,246,837	642,937
System development fees	450,000	450,000	333,225	(116,775)
Other	-		793,539	793,539
Antidegradation credits	25,000	25,000	2,462	(22,538)
Special assessment principal	1,580,000	1,580,000	321,644	(1,258,356)
Total aid in construction	5,658,900	5,658,900	5,697,707	38,807
CHANGE IN NET POSITION	\$ 6,047,524	\$ 5,867,524	\$ 970,735	\$ (4,896,789)

Note to Supplementary Information

The District's budget is not 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, 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 2013 financial statements is as follows:

Change in net position	\$ 970,735
Depreciation	(5,404,998)
Principal payments on debt	8,442,931
Change in net position	\$ 4,008,668

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET POSITION
INFORMATION BY DIVISION
December 31, 2013

ASSETS	Water	Sewer	Eliminations	Combined
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 831,742	\$ 8,755	\$ -	\$ 840,497
Restricted	1,443,003	1,873,781	-	3,316,784
Investments:				
Unrestricted	442,851	3,203,498	-	3,646,349
Restricted	1,495,127	-	-	1,495,127
Accounts receivable – trade	1,199,396	1,418,308	-	2,617,704
Grants receivable	475,316	162,959	-	638,275
Current portion of special assessments	511,349	333,849	-	845,198
Inventory	643,829	182,115	-	825,944
Prepaid expenses	52,688	57,078	-	109,766
Total current assets	<u>7,095,301</u>	<u>7,240,343</u>	<u>-</u>	<u>14,335,644</u>
NONCURRENT ASSETS				
Capital assets:				
Sewer and waterlines	73,766,616	109,193,726	-	182,960,342
Buildings, pumps and life stations	11,678,254	16,938,276	-	28,616,530
Machinery and equipment	5,328,806	5,331,135	-	10,659,941
Vehicles	974,147	1,699,756	-	2,673,903
Furniture and fixtures	201,668	262,232	-	463,900
Computer equipment	422,207	762,944	-	1,185,151
Improvements – Oregon waste water treatment plant	3,394,518	3,185,486	-	6,580,004
Total depreciable capital assets	95,766,216	137,373,555	-	233,139,771
Accumulated depreciation	<u>(31,778,110)</u>	<u>(55,038,119)</u>	<u>-</u>	<u>(86,816,229)</u>
Net depreciable capital assets	63,988,106	82,335,436	-	146,323,542
Land	233,777	438,253	-	672,030
Easements	8,608	8,877	-	17,485
Construction in process	6,978,935	3,005,019	-	9,983,954
Net capital assets	<u>71,209,426</u>	<u>85,787,585</u>	<u>-</u>	<u>156,997,011</u>
OTHER ASSETS				
Special assessments, less current portion	6,178,117	3,064,948	-	9,243,065
Reserve with county commissioners	32,880	246,291	-	279,171
Miscellaneous	250,222	34,506	(180,000)	104,728
Total other assets	<u>6,461,219</u>	<u>3,345,745</u>	<u>(180,000)</u>	<u>9,626,964</u>
Total noncurrent assets	<u>77,670,645</u>	<u>89,133,330</u>	<u>(180,000)</u>	<u>166,623,975</u>
TOTAL ASSETS	<u>\$ 84,765,946</u>	<u>\$ 96,373,673</u>	<u>\$ (180,000)</u>	<u>\$ 180,959,619</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET POSITION
INFORMATION BY DIVISION
December 31, 2013

LIABILITIES AND NET POSITION	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 2,000,281	\$ 1,599,506	\$ -	\$ 3,599,787
Current portion of compensated absences	109,419	93,765		203,184
Accounts payable – trade	1,710,316	1,190,988	(180,000)	2,721,304
Accrued payroll and payroll taxes	153,509	160,518	-	314,027
Accrued interest payable	263,776	347,414	-	611,190
Amounts due others	237,681	999,172	-	1,236,853
Total current liabilities	<u>4,474,982</u>	<u>4,391,363</u>	<u>(180,000)</u>	<u>8,686,345</u>
LONG-TERM DEBT , less current portion	27,614,188	28,898,379	-	56,512,567
Compensated absences payable	76,572	115,970	-	192,542
Total long-term liabilities	<u>27,690,760</u>	<u>29,014,349</u>	<u>-</u>	<u>56,705,109</u>
TOTAL LIABILITIES	<u>32,165,742</u>	<u>33,405,712</u>	<u>(180,000)</u>	<u>65,391,454</u>
NET POSITION				
Net investment in capital assets	44,476,543	57,025,955	-	101,502,498
Restricted	2,938,130	1,873,781	-	4,811,911
Unrestricted	5,185,531	4,068,225	-	9,253,756
TOTAL NET POSITION	<u>\$ 52,600,204</u>	<u>\$ 62,967,961</u>	<u>\$ -</u>	<u>\$ 115,568,165</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET POSITION
INFORMATION BY DIVISION
December 31, 2012 (restated)

ASSETS	Water	Sewer	Eliminations	Combined
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 379,459	\$ 28,173	\$ -	\$ 407,632
Restricted	1,442,647	1,873,321	-	3,315,968
Investments:				
Unrestricted	426,872	3,190,362	-	3,617,234
Restricted	1,503,603	-	-	1,503,603
Accounts receivable – trade	1,958,743	1,417,743	-	3,376,486
Grants receivable	116,388	847,611	-	963,999
Current portion of special assessments	505,591	333,336	-	838,927
Inventory	500,947	186,434	-	687,381
Prepaid expenses	162,348	43,547	-	205,895
Total current assets	<u>6,996,598</u>	<u>7,920,527</u>	<u>-</u>	<u>14,917,125</u>
NONCURRENT ASSETS				
Capital assets:				
Sewer and waterlines	67,753,985	99,273,092	-	167,027,077
Buildings, pumps and life stations	9,283,491	14,281,406	-	23,564,897
Machinery and equipment	3,066,639	2,415,884	-	5,482,523
Vehicles	780,693	1,351,306	-	2,131,999
Furniture and fixtures	144,835	205,399	-	350,234
Computer equipment	290,375	638,824	-	929,199
Improvements – Oregon waste water treatment plant	2,742,461	3,185,486	-	5,927,947
Total depreciable capital assets	84,062,479	121,351,397	-	205,413,876
Accumulated depreciation	<u>(29,473,158)</u>	<u>(52,152,192)</u>	<u>-</u>	<u>(81,625,350)</u>
Net depreciable capital assets	54,589,321	69,199,205	-	123,788,526
Land	233,777	438,253	-	672,030
Easements	8,608	8,877	-	17,485
Construction in process	8,522,016	14,434,325	-	22,956,341
Net capital assets	<u>63,353,722</u>	<u>84,080,660</u>	<u>-</u>	<u>147,434,382</u>
OTHER ASSETS				
Special assessments, less current portion	6,639,755	3,316,679	-	9,956,434
Reserve with county commissioners	36,657	182,569	-	219,226
Miscellaneous	254,988	43,311	(180,000)	118,299
Total other assets	<u>6,931,400</u>	<u>3,542,559</u>	<u>(180,000)</u>	<u>10,293,959</u>
Total noncurrent assets	<u>70,285,122</u>	<u>87,623,219</u>	<u>(180,000)</u>	<u>157,728,341</u>
TOTAL ASSETS	<u>\$ 77,281,720</u>	<u>\$ 95,543,746</u>	<u>\$ (180,000)</u>	<u>\$ 172,645,466</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET POSITION
INFORMATION BY DIVISION
December 31, 2012 (restated)

LIABILITIES AND NET POSITION	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 3,461,324	\$ 5,187,643	\$ -	\$ 8,648,967
Current portion of compensated absences	86,479	101,521		188,000
Accounts payable – trade	1,836,390	2,241,704	(180,000)	3,898,094
Accrued payroll and payroll taxes	115,772	111,794	-	227,566
Accrued interest payable	313,111	340,877	-	653,988
Amounts due others	395,288	1,083,992	-	1,479,280
Total current liabilities	<u>6,208,364</u>	<u>9,067,531</u>	<u>(180,000)</u>	<u>15,095,895</u>
LONG-TERM DEBT, less current portion				
Compensated absences payable	21,923,826	23,888,691	-	45,812,517
	81,677	95,880	-	177,557
Total long-term liabilities	<u>22,005,503</u>	<u>23,984,571</u>	<u>-</u>	<u>45,990,074</u>
TOTAL LIABILITIES	<u>28,213,867</u>	<u>33,052,102</u>	<u>(180,000)</u>	<u>61,085,969</u>
NET POSITION				
Net investment in capital assets	40,858,278	56,740,121	-	97,598,399
Restricted	2,946,250	1,873,321	-	4,819,571
Unrestricted	5,263,325	3,878,202	-	9,141,527
TOTAL NET POSITION	<u>\$ 49,067,853</u>	<u>\$ 62,491,644</u>	<u>\$ -</u>	<u>\$ 111,559,497</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INFORMATION BY DIVISION
Year Ended December 31, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Utility revenue	\$ 10,049,093	\$ 5,804,560	\$ -	\$ 15,853,653
Fees and permits	271,435	68,526	-	339,961
Contract services	50,283	144,477	-	194,760
Other operating revenues	296,060	541,405	-	837,465
Total operating revenues	<u>10,666,871</u>	<u>6,558,968</u>	<u>-</u>	<u>17,225,839</u>
OPERATING EXPENSES				
Depreciation and amortization	2,302,774	3,102,224	-	5,404,998
Labor	1,425,581	1,465,545	-	2,891,126
Employee benefits	617,366	626,856	-	1,244,222
Professional services	511,770	688,260	-	1,200,030
Purchased water and sewer treatment	4,050,714	210,406	-	4,261,120
Materials and supplies	706,281	577,522	-	1,283,803
Utilities	219,890	310,481	-	530,371
Rent	2,171	2,352.00	-	4,523
Other	301,117	307,664	-	608,781
Total operating expenses	<u>10,137,664</u>	<u>7,291,310</u>	<u>-</u>	<u>17,428,974</u>
Operating income (loss)	<u>529,207</u>	<u>(732,342)</u>	<u>-</u>	<u>(203,135)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	295,122	196,097	-	491,219
Interest expense	(964,493)	(973,488)	-	(1,937,981)
Other expense	(11,723)	(27,419)	-	(39,142)
Total nonoperating revenues (expenses)	<u>(681,094)</u>	<u>(804,810)</u>	<u>-</u>	<u>(1,485,904)</u>
AID IN CONSTRUCTION	<u>3,684,238</u>	<u>2,013,469</u>	<u>-</u>	<u>5,697,707</u>
Change in net position	3,532,351	476,317	-	4,008,668
NET POSITION				
Beginning of year	<u>49,067,853</u>	<u>62,491,644</u>	<u>-</u>	<u>111,559,497</u>
End of year	<u>\$ 52,600,204</u>	<u>\$ 62,967,961</u>	<u>\$ -</u>	<u>\$ 115,568,165</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INFORMATION BY DIVISION
Year Ended December 31, 2012 (restated)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Utility revenue	\$ 9,659,619	\$ 5,420,599	\$ -	\$ 15,080,218
Fees and permits	241,699	52,910	-	294,609
Contract services	65,959	164,164	-	230,123
Other operating revenues	289,524	155,358	-	444,882
Total operating revenues	<u>10,256,801</u>	<u>5,793,031</u>	<u>-</u>	<u>16,049,832</u>
OPERATING EXPENSES				
Depreciation and amortization	2,156,451	2,940,780	-	5,097,231
Labor	1,307,153	1,239,920	-	2,547,073
Employee benefits	544,879	581,705	-	1,126,584
Professional services	367,730	467,896	-	835,626
Purchased water and sewer treatment	3,778,955	185,116	-	3,964,071
Materials and supplies	403,299	463,375	-	866,674
Utilities	198,718	271,739	-	470,457
Rent	2,120	-	-	2,120
Other	270,919	232,995	-	503,914
Total operating expenses	<u>9,030,224</u>	<u>6,383,526</u>	<u>-</u>	<u>15,413,750</u>
Operating income (loss)	<u>1,226,577</u>	<u>(590,495)</u>	<u>-</u>	<u>636,082</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	366,749	191,518	-	558,267
Interest expense	(1,045,863)	(1,081,300)	-	(2,127,163)
Other expense	5,866	(1,181)	-	4,685
Total nonoperating revenues (expenses)	<u>(673,248)</u>	<u>(890,963)</u>	<u>-</u>	<u>(1,564,211)</u>
AID IN CONSTRUCTION				
Change in net position	<u>1,149,979</u>	<u>4,574,208</u>	<u>-</u>	<u>5,724,187</u>
NET POSITION				
Beginning of year	<u>47,364,545</u>	<u>59,398,894</u>	<u>-</u>	<u>106,763,439</u>
End of year	<u>\$ 49,067,853</u>	<u>\$ 62,491,644</u>	<u>\$ -</u>	<u>\$ 111,559,497</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS
INFORMATION BY DIVISION
Year Ended December 31, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 529,207	\$ (732,342)	\$ -	\$ (203,135)
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	2,302,774	3,102,224	-	5,404,998
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	759,347	(565)	-	758,782
Grant receivable	(358,928)	684,652	-	325,724
Inventory	(142,882)	4,319	-	(138,563)
Prepaid and other assets	114,426	(4,726)	-	109,700
Accounts payable – trade	(126,074)	(1,050,716)	-	(1,176,790)
Accrued payroll and payroll taxes	37,737	48,724	-	86,461
Accounts due to others	(157,607)	(84,820)	-	(242,427)
Compensated absences payable	17,835	12,334	-	30,169
Net cash provided by operating activities	<u>2,975,835</u>	<u>1,979,084</u>	<u>-</u>	<u>4,954,919</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	295,122	196,097	-	491,219
Proceeds on sale of investments	1,356,537	669,169	-	2,025,706
Purchases of investments	<u>(1,364,040)</u>	<u>(682,305)</u>	<u>-</u>	<u>(2,046,345)</u>
Net cash provided by investing activities	<u>287,619</u>	<u>182,961</u>	<u>-</u>	<u>470,580</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	3,684,238	2,013,469	-	5,697,707
Acquisition and construction of capital assets	(10,222,247)	(4,947,933)	-	(15,170,180)
Proceeds from reserve	3,777.00	(63,722)	-	(59,945)
Proceeds from sale of assets	63,769	138,784	-	202,553
Proceeds from issuance of long-term debt	7,466,893	6,626,908	-	14,093,801
Repayment of long-term debt	(3,237,574)	(5,205,357)	-	(8,442,931)
Collections on special assessments	538,298	265,531	-	803,829
Assessed special assessments	(82,418)	(14,313)	-	(96,731)
Interest paid	<u>(1,025,551)</u>	<u>(994,370)</u>	<u>-</u>	<u>(2,019,921)</u>
Net cash used in financing activities	<u>(2,810,815)</u>	<u>(2,181,003)</u>	<u>-</u>	<u>(4,991,818)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	452,639	(18,958)	-	433,681
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>1,822,106</u>	<u>1,901,494</u>	<u>-</u>	<u>3,723,600</u>
End of year	<u>\$ 2,274,745</u>	<u>\$ 1,882,536</u>	<u>\$ -</u>	<u>\$ 4,157,281</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS
INFORMATION BY DIVISION
Year Ended December 31, 2012 (restated)

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,226,577	\$ (590,495)	\$ -	\$ 636,082
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	2,156,451	2,940,780	-	5,097,231
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	(58,730)	265,672	-	206,942
Grant receivable	(116,388)	(847,611)	-	(963,999)
Inventory	650,269	(41,034)	-	609,235
Prepaid and other assets	(423,717)	322,260	(220,535)	(321,992)
Accounts payable – trade	781,467	922,284	220,535	1,924,286
Accrued payroll and payroll taxes	6,507	(6,218)	-	289
Accounts due to others	225,070	235,318	-	460,388
Compensated absences payable	18,166	21,325	-	39,491
Net cash provided by operating activities	<u>4,465,672</u>	<u>3,222,281</u>	<u>-</u>	<u>7,687,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	366,749	191,518	-	558,267
Proceeds on sale of investments	1,777,554	1,845,560	-	3,623,114
Purchases of investments	<u>(1,785,319)</u>	<u>(1,864,103)</u>	<u>-</u>	<u>(3,649,422)</u>
Net cash provided by investing activities	<u>358,984</u>	<u>172,975</u>	<u>-</u>	<u>531,959</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	1,149,979	4,574,208	-	5,724,187
Acquisition and construction of capital assets	(10,210,965)	(13,519,502)	-	(23,730,467)
Proceeds from reserve	-	39,125	-	39,125
Proceeds from sale of assets	6,756	3,112	-	9,868
Proceeds from issuance of long-term debt	9,889,127	7,906,996	-	17,796,123
Repayment of long-term debt	(5,492,078)	(3,083,533)	-	(8,575,611)
Collections on special assessments	977,902	316,393	-	1,294,295
Assessed special assessments	(35,378)	(338,915)	-	(374,293)
Interest paid	<u>(1,024,782)</u>	<u>(1,030,120)</u>	<u>-</u>	<u>(2,054,902)</u>
Net cash used in financing activities	<u>(4,739,439)</u>	<u>(5,132,236)</u>	<u>-</u>	<u>(9,871,675)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	85,217	(1,736,980)	-	(1,651,763)
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>1,736,889</u>	<u>3,638,474</u>	<u>-</u>	<u>5,375,363</u>
End of year	<u>\$ 1,822,106</u>	<u>\$ 1,901,494</u>	<u>\$ -</u>	<u>\$ 3,723,600</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.

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time	S2
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its water and sewer sales	S10
Debt Capacity 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	S16
Demographic and Economic Information 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	S21
Operating Information 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	S24
Sources 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.	



NORTHWESTERN WATER AND SEWER DISTRICT
NET POSITION
LAST TEN YEARS
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net investment in capital assets	\$101,502	\$97,598	\$88,455	\$81,477	\$73,573	\$73,491	\$74,830	\$70,996	\$66,996	\$61,550
Restricted	4,618	4,626	4,853	5,133	9,145	5,001	6,486	3,809	2,896	2,500
Unrestricted	9,448	9,336	13,455	12,248	10,073	14,124	8,823	14,838	16,981	19,564
Total Net Position	\$115,568	\$111,559	\$106,763	\$98,858	\$92,791	\$92,616	\$90,139	\$89,643	\$86,873	\$83,614

Source: District accounting records



NORTHWESTERN WATER AND SEWER DISTRICT
CHANGES IN NET POSITION
LAST TEN YEARS
(amounts expressed in thousands)

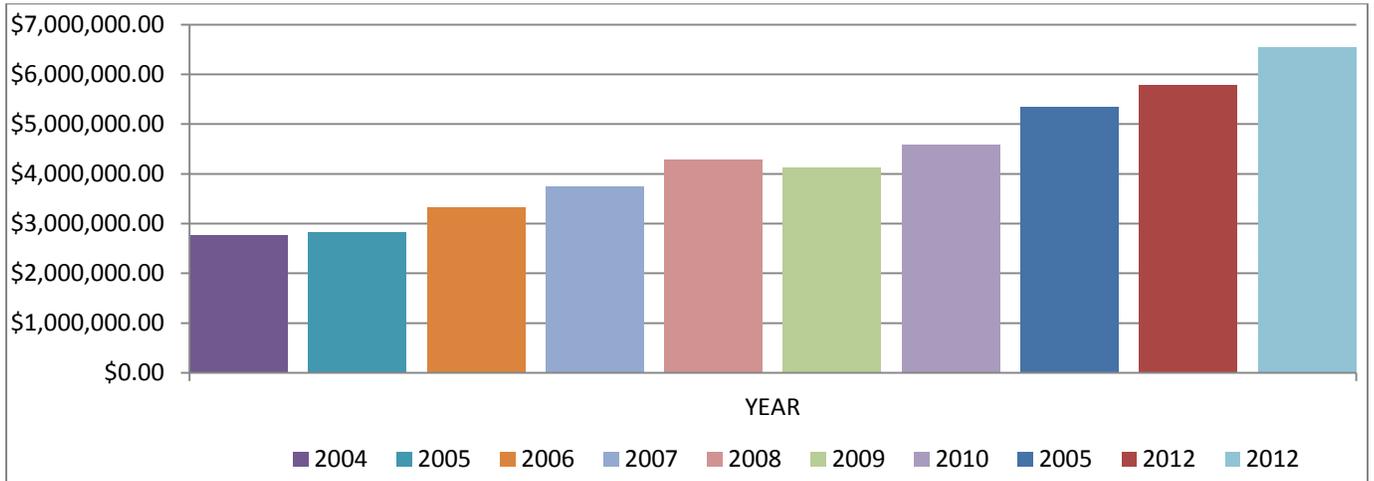
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenue	\$17,226	\$16,050	\$13,806	\$10,160	\$9,197	\$8,586	\$7,415	\$6,524	\$5,811	\$5,395
Operating Expenses	\$17,429	\$15,414	\$13,549	\$10,507	\$10,278	\$10,221	\$9,373	\$8,759	\$7,347	\$6,948
Total Net Revenue (Expense)	\$(203)	\$636	\$257	\$(347)	\$(1,081)	\$(1,635)	\$(1,958)	\$(2,235)	\$(1,536)	\$(1,553)
Other Changes In Net Position										
Nonoperating Revenues (Expenses)	\$(1,486)	\$(1,564)	\$(1,344)	\$(1,212)	\$(1,164)	\$(530)	\$(132)	\$(183)	\$(335)	\$(98)
Aid In Construction	\$5,698	\$5,724	\$9,742	\$7,626	\$2,420	\$4,642	\$2,586	\$5,187	\$5,130	\$6,048
Total Other Changes In Net Position	\$4,212	\$4,160	\$8,398	\$6,414	\$1,256	\$4,112	\$2,454	\$5,004	\$4,795	\$5,950
Change In Net Position	\$4,009	\$4,796	\$8,655	\$6,067	\$175	\$2,477	\$496	\$2,769	\$3,259	\$4,394

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Wastewater Revenue</u>	<u>Fees & Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2013	\$5,804,560	\$68,526	\$144,477	\$541,405	\$6,558,968	13.2%
2012	5,420,599	52,910	164,164	155,358	5,793,031	8.3%
2011	5,051,649	48,448	130,632	119,046	5,349,775	16.7%
2010	4,147,811	64,867	274,118	96,794	4,583,590	11.0%
2009	3,834,605	42,028	165,295	85,910	4,127,838	(3.6)%
2008	3,978,236	64,205	152,793	88,900	4,284,134	14.5%
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)%



Source: District accounting records

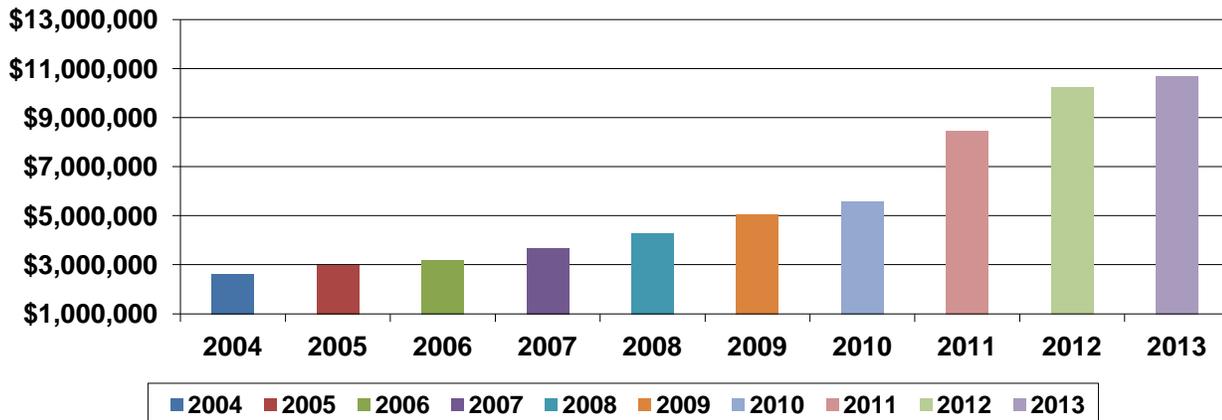


NORTHWESTERN WATER AND SEWER DISTRICT WATER OPERATING REVENUES BY SOURCE LAST TEN YEARS

<u>Fiscal Year</u>	<u>Wastewater Revenue</u>	<u>Fees & Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2013	\$10,049,093	\$271,435	\$50,283	\$296,060	\$10,666,871	4.0%
2012	9,659,619	241,699	65,959	289,524	10,256,801	21.8% (2)
2011	7,956,148	167,070	93,046	240,352	8,456,616	51.6% (1)
2010	5,177,288	137,747	89,743	171,957	5,576,735	10.0%
2009	4,668,363	134,770	109,092	157,102	5,069,327	17.8%
2008	3,906,717	212,287	83,724	99,189	4,301,917	17.1%
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%

(1) District began billing City of Toledo supply customers July 2011

(2) Represents a full year of District billing City of Toledo supply customers

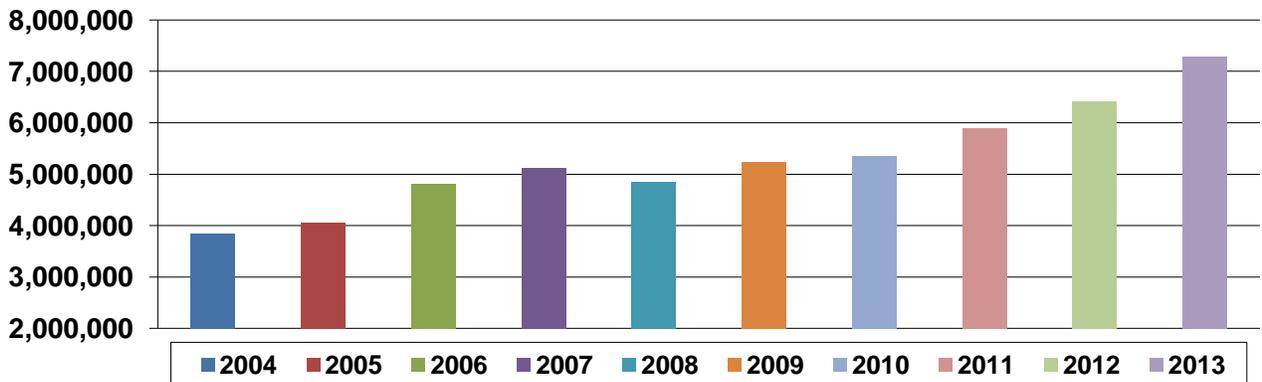


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries & Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Materials & Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2013	\$1,465,545	\$626,856	\$898,666	\$577,522	\$310,481	\$3,102,224	\$310,016	\$7,291,310	14.2%
2012	1,239,920	581,705	653,012	463,375	271,739	2,940,780	232,995	6,383,526	8.3%
2011	1,197,473	537,875	503,630	384,106	279,594	2,797,595	191,490	5,891,763	10.3%
2010	1,057,390	444,305	486,733	299,495	226,847	2,631,794	195,595	5,342,159	1.9%
2009	1,088,978	472,491	397,802	330,130	236,985	2,449,124	267,552	5,243,062	8.2%
2008	1,095,395	475,983	268,269	370,010	235,064	2,161,407	240,854	4,846,982	(5.24)%
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%



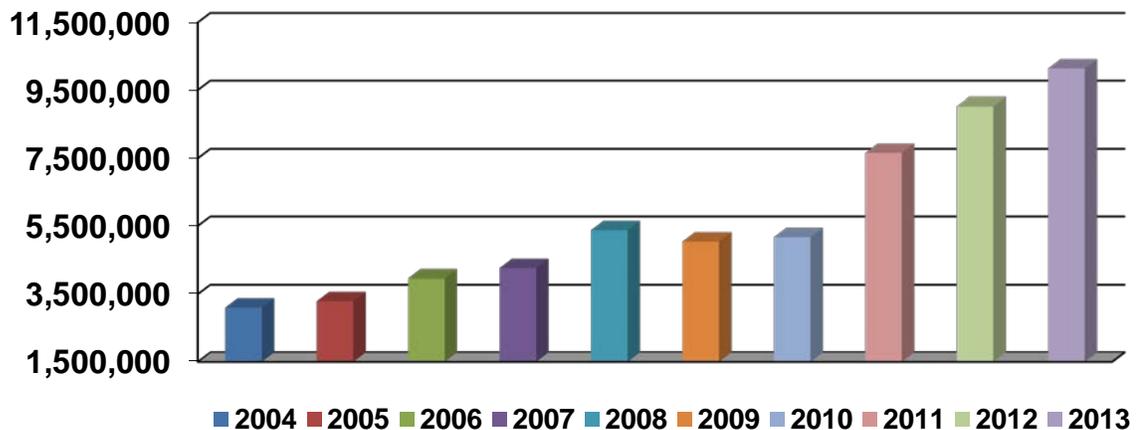
Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries & Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Purchased Water</u>	<u>Materials & Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2013	\$1,425,581	\$617,366	\$511,770	\$4,050,714	\$706,281	\$219,890	\$2,302,774	\$303,288	\$10,137,664	12.3%
2012	1,307,153	544,879	367,730	3,778,955	403,299	198,718	2,156,451	273,039	9,030,224	17.9%
2011	1,094,754	457,349	275,712	3,040,369 (1)	475,837	207,027	1,887,447	219,179	7,657,674	48.2%
2010	961,586	418,914	196,036	1,198,861	390,202	146,801	1,665,678	187,378	5,165,456	2.6%
2009	957,031	429,346	234,496	1,103,187	324,473	159,109	1,598,650	228,369	5,034,561	-6.3%
2008	1,035,165	405,673	321,588	1,328,232	466,907	169,997	1,465,972	180,433	5,373,967	26.4%
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%

(1) In April 2011, the District assumed the billing and meter maintenance for approximately 7,000 accounts previously provided by the City of Toledo and went to a bulk water purchase contract with Toledo.



Source: District accounting records



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

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-in-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2013	\$196,097	\$2,013,469	\$(27,419)	\$2,182,147
2012	191,518	4,574,208	(1,181)	4,764,545
2011	274,472	5,711,809	(6,856)	5,979,425
2010	261,015	2,979,073	(16,967)	3,223,121
2009	305,757	1,852,018	591	2,158,366
2008	391,457	2,683,536	57,831	3,132,824
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	-	2,946,857
2004	329,603	2,438,868	275,017 (2)	3,043,488

(1) Other Aid In Constructions includes: System Development Fees, Grants, Developer assets turned over to the District

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

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-in-Construction (1)</u>	<u>Other Income (Expense)</u>	<u>Total</u>
2013	\$295,122	\$3,684,238	\$(11,723)	\$3,967,637
2012	366,749	1,149,979	5,866	1,522,594
2011	452,833	4,029,866	(7,199)	4,475,500
2010	439,644	4,647,205	9,079	5,095,928
2009	463,868	567,628	(15,129)	1,016,367
2008	501,539	1,958,669	26,129	2,486,337
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

(1) Other Aid In Constructions includes: System Development Fees, Grants, Developer assets turned over to the District

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 & Treatment</u>
2013	\$12.30	\$24.60	\$15.74	\$38.69
2012	12.30	24.60	14.51	37.01
2011	12.06	24.12	13.39	35.45
2010	12.06	24.12	12.50	34.56
2009	12.06	24.12	11.62	33.68
2008	12.06	24.12	11.62	33.68
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

(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>	
2013	\$13.53	\$27.06	\$11.93
2012	13.53	27.06	11.21
2011	13.26	26.52	10.49
2010	13.00	26.00	9.77
2009	13.00	26.00	9.25
2008	9.93	19.86	5.69
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

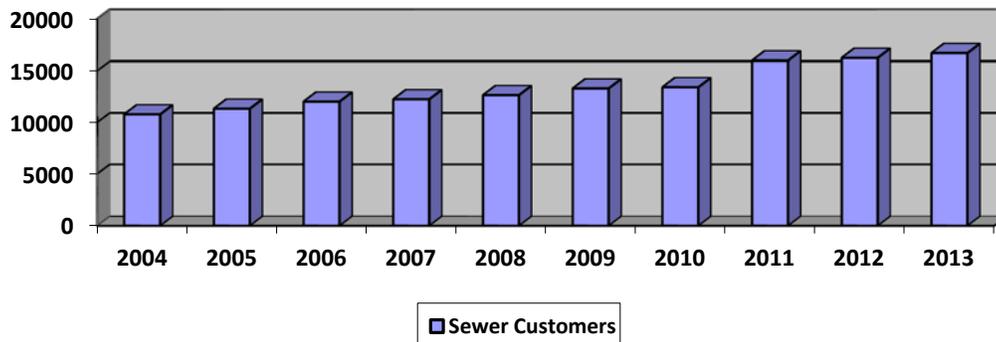
(1) Per 1,000 cubic feet of water consumption

Source: District accounting records



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

<u>Year</u>	<u>Average Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Consumption (000's/gal.)</u>
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500
2006	11,999	3,784	1,391,254(a)
2007	12,224	3,632	1,325,558
2008	12,626	3,701	1,350,812
2009	13,278	3,584	1,308,307
2010	13,394	3,657	1,334,650
2011	15,944	4,295	1,567,808(b)
2012	16,201	4,279	1,566,211
2013	16,726	4,091	1,493,104



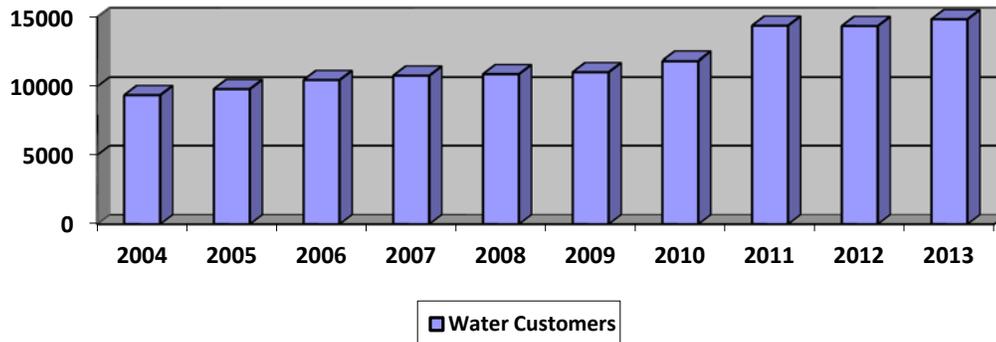
- a) District acquired the Villages of Bardstown and Weston adding about 550 customers.
- b) In 2011, the City of Rossford and the Village of Cygnet joined the District with approximately 2,550 customers

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>
2004	9,356	3,966	1,447,600
2005	9,799	3,935	1,436,400
2006	10,455	3,891	1,420,874(a)
2007	10,775	4,133	1,508,418
2008	10,886	3,949	1,441,658
2009	11,025	3,434	1,253,238
2010	11,825	3,642	1,328,774
2011	14,375est	4,211	1,537,140(b)
2012	14,344	4,530	1,657,958(c)
2013	14,704	4,145	1,513,066



- a) District acquired the Villages of Bardstown and Weston adding about 550 customers.
- b) In 2011, the City of Rossford and the Village of Cygnet joined the District with approximately 2,550 customers
- c) In July 2012 the Village of Bloomdale joined the District

Source: District accounting records



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

Fiscal year 2013			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Charter Steel	76,546	\$160,190	2.76%
2. First Solar	49,980	105,689	1.82
3. Pre Finished Metals	46,164	96,753	1.67
4. Chrysler	35,833	75,288	1.30
5. Norplas	27,086	56,895	.98
6. Friendly Village I and II MHP	24,255	35,182	.61
7. Cintas	15,270	32,048	.55
8. Holiday Inn Perrysburg Twp*	13,512	30,238	.52
9. Perry Lake Village	13,097	20,397	.35
10. Walnut Hills Mobile Home Park	11,676	26,678	.46
Total	313,419	\$639,358	11.02%

Fiscal year 2004			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Chrysler	92,154	\$121,454	4.85%
2. Alpha Tube	46,600	61,539	2.45
3. Prefinished Metals	40,220	54,153	2.16
4. Friendly Village I and II MHP	38,732	51,309	2.05
5. Walnut Hills Mobile Home Park	37,033	48,869	1.95
6. Norplas	18,550	24,845	.99
7. Holiday Inn Perrysburg Township	13,457	18,878	.75
8. Troy Villa Mobile Home Park	12,821	16,984	.68
9. Eastpointe on the Mall Apartments	11,459	15,397	.61
10. Perry Lake Village Apartments	<u>10,249</u>	<u>9,891</u>	<u>.39</u>
Total	321,275	\$423,319	16.88%

Source: District accounting records



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

<u>Customer</u>	Fiscal year 2013		
	<u>Total Billed Consumption (000's/gal.)</u>	<u>Total Billed</u>	<u>% of Total System Revenue</u>
1. First Solar	65,725	\$ 114,585	1.14%
2. Charter Steel	61,798	108,679	1.08
3. Prefinished Metals	55,246	91,171	.91
4. Norplas	38,597	63,630	.63
5. Chrysler	35,833	63,730	.63
6. Friendly Village I and II MHP	24,255	48,362	.48
7. MSB Dairy	23,438	127,403	1.27
8. Jones Hamilton	20,965	36,140	.36
9. Cintas	15,472	26,798	.27
10. Holiday Inn Perrysburg Twp	<u>13,512</u>	<u>24,156</u>	<u>.24</u>
TOTAL	354,841	\$704,654	7.01%

<u>Customer</u>	Fiscal year 2004		
	<u>Total Billed Consumption (000's/gal.)</u>	<u>Total Billed</u>	<u>% of Total System Revenue</u>
1. Hunt Wesson	177,411	\$101,331	4.72%
2. Chrysler	79,535	48,225	2.24
3. Prefinished Metals	49,091	28,692	1.34
4. Commercial Aluminum Cookware	47,573	27,577	1.28
5. Alpha Tube	46,600	26,831	1.25
6. Friendly Village I and II MHP	38,732	25,963	1.21
7. Walnut Hills Mobile Home Park	37,647	21,645	1.01
8. Holiday Inn, Perrysburg	13,457	8,376	.39
9. Troy Villa Mobile Home Park	12,821	9,161	.43
10. Eastpointe on the Mall Apartments	<u>11,459</u>	<u>28,622</u>	<u>1.33</u>
TOTAL	514,326	\$326,423	15.20%

Source: District accounting record



NORTHWESTERN WATER AND SEWER DISTRICT RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Debt By Type In Thousands	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue Bond Issues										
\$1,395 Series 1996	\$ -	\$ -	\$ --	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$4,235 Series 2002 (1)	3,035	2,635	2,235	2,055	1,875	1,695	1,515	1,335
\$2,165 Series 2004B	2,165	2,100	2,025	1,940	1,892	1,804	1,712	1,590	1,490	1,415
\$1,200 Series 2005A	-	1,200	1,160	1,120	1,070	1,020	1,018	920	870	858
\$6,910 Series 2008	-	-	-	-	6,910	6,680	6,440	6,195	5,940	5,675
\$3,550 Series 2009 BAN	-	-	-	-	-	3,550	-	--	-	-
\$2,350 Series 2010	-	-	-	-	-	-	2,350	2,280	2,210	2,135
\$3,870 Series 2012 (2)	-	-	-	-	-	-	-	-	3,585	3,368
Total Revenue Bonds	5,200	5,935	5,420	5,115	11,747	14,749	13,035	12,320	14,095	13,451
Special Assessment Issues										
\$277 Series 1996	166	152	139	125	111	97	83	69	55	42
\$360 Series 1998	250	230	215	195	175	160	140	125	110	95
\$500 Series 1999	420	400	380	360	340	315	290	265	240	210
\$175 Series 2000	145	135	125	115	110	100	90	80	75	65
\$1,195 Series 2002	1,145	1,110	1,070	1,025	975	925	870	815	-	-
\$1,245 Series 2003	1,215	1,170	1,125	1,080	1,035	985	935	880	60	-
\$2,000 Series 2004A	2,000	1,945	1,870	1,795	1,715	1,635	1,555	1,470	1,380	1,290
\$1,010 Series 2006	-	-	1,010	990	955	920	880	840	800	760
\$2,205 Series 2008	-	-	-	-	2,205	2,155	2,133	2,000	1,920	1,878
\$6,580 Series 2009 BAN	-	-	-	-	-	6,580	-	-	-	-
\$2,350 Series 2010	-	-	-	-	-	-	2,350	2,280	2,205	2,125
\$2,880 Series 2012 (3)	-	-	-	-	-	-	-	-	2,715	2,615
Total SA Bonds	5,341	5,142	5,934	5,685	7,621	13,872	9,326	8,824	9,560	9,080
U.S. Dept of Agriculture Ohio Water Development Authority.	9,256	9,090	10,181	9,491	11,287	9,004	10,805	14,296	15,024	22,495
Ohio Public Works Commission	731	872	787	812	738	665	611	536	522	596
Other	<u>310</u>	<u>323</u>	<u>333</u>	<u>331</u>	<u>328</u>	<u>325</u>	<u>1,793</u>	<u>905</u>	<u>3,928</u>	<u>993</u>
Total All Debt	24,915	26,935	\$28,095	26,732	\$36,872	46,014	42,789	45,241	54,239	\$60,112
Number of Customer Accounts	20,111	21,112	22,454	22,999	23,512	24,614	25,219	30,319	30,545	31,430
Outstanding Debt Per Customer Account	\$1,239	\$1,276	\$1,251	\$1,162	\$1,568	\$1,869	\$1,696	\$1,492	\$1,776	\$1,913

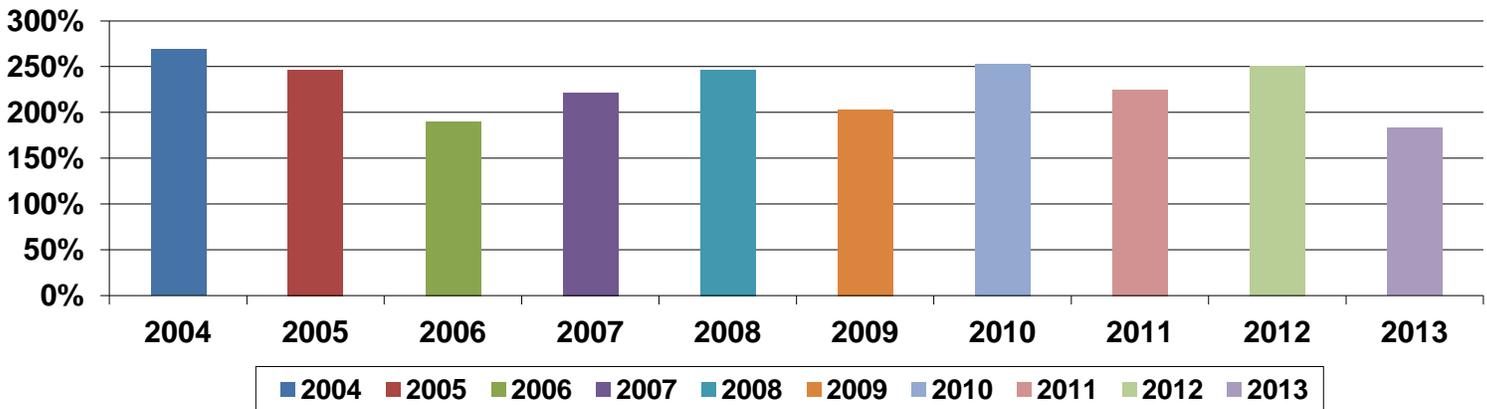
- (1) The Series 1996 Bonds were refunded on 3/27/2002 and were replaced by the Series 2002 Bonds
(2) The Series 2002 Bonds were refunded on 3/23/2012 and were replaced by the Series 2012 Bonds
(3) The Series 2003 SA Bonds were refunded on 3/23/12 and were replaced by the Series 2012 SA Bonds

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>
2013	\$18,050,283	\$12,023,976	\$6,026,307	\$3,292,569	183%
2012	17,242,424	10,316,519	6,925,905	2,759,213	251%
2011	15,056,461	8,864,395	6,192,066	2,752,617	225%
2010	11,158,034	6,210,143	4,947,891	1,937,845	253%
2009	10,220,215	6,229,849	3,990,366	1,962,352	203%
2008	10,225,557	6,593,570	3,631,987	1,471,370	247%
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%



(1) Includes water and sewer revenues. Also includes System Development Fees.

(2) Excludes depreciation expense.

(3) Revenue bonds require 115% coverage and Board Policy requires 150% coverage.

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Special Assessments Collections</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor</u>
2013	\$1,666,587	\$1,644,335	101%
2012	\$1,923,976	\$1,701,693	113%
2011	\$2,019,018	\$1,587,977	127%
2010	\$1,467,115 (A)	\$1,817,892	81%
2009	\$1,147,785 (A)	\$1,449,492	79%
2008	\$1,370,124	\$1,351,612	101%
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%

(A) Charter Steel paid their 2nd half assessment of \$79,996 July 30, 2009 but District did not receive cash from Wood County Auditor until January 2010. Amount not included in 2009 number.

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
SEWER DEBT BY TOTAL DEBT SERVICE
AS OF DECEMBER 31, 2013**

Year	Revenue Debt			Special Assessment Debt			Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes		
2014	901,834	26,819	1,044,746	76,727	25,285	516,740	2,592,151	93.80%
2015	867,094	30,915	1,047,670	93,916	25,285	509,756	2,574,636	87.65%
2016	867,094	30,915	1,043,203	93,916	25,285	509,249	2,569,662	81.51%
2017	790,432	22,249	1,037,557	92,916	25,285	513,100	2,481,539	75.58%
2018	682,567	13,583	1,035,625	91,816	25,285	713,801	2,562,677	69.45%
2019	670,534	13,583	1,034,286	91,816	25,285	490,896	2,326,400	63.89%
2020	664,242	13,583	1,029,869	91,816	-	461,712	2,261,222	58.49%
2021	433,056	13,583	1,025,853	54,503	-	448,885	1,975,880	53.77%
2022	433,056	13,583	1,004,620	17,190	-	449,747	1,918,196	49.18%
2023	433,056	13,583	999,216	17,190	-	355,459	1,818,504	44.84%
2024	400,538	13,583	999,326	17,190	-	292,719	1,723,356	40.72%
2025	387,582	9,441	858,542	17,190	-	183,309	1,456,064	37.24%
2026-30	1,787,803	42,832	3,522,118	85,948	-	888,341	6,327,042	22.16%
2031-35	1,141,486	28,670	1,733,809	68,759	-	629,255	3,601,979	13.51%
2036-40	556,878	-	1,342,541	-	-	629,197	2,528,616	7.46%
2041-45	284,538	-	924,393	-	-	629,140	1,838,071	3.07%
2046-50	-	-	502,624	-	-	503,264	1,005,888	.67%
2051-55	-	-	278,527	-	-	-	278,527	-
Totals	\$11,301,790	\$286,922	\$20,464,525	\$910,893	\$151,710	\$8,724,570	\$41,840,410	

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, 2013**

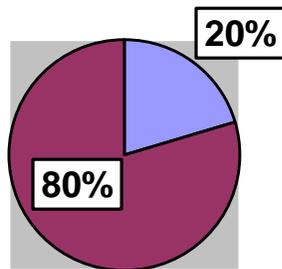
Year	Revenue Debt			Special Assessment Debt			%of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes	Totals	
2014	627,982	25,128	879,812	558,145	638,004	2,729,071	93.27%
2015	783,085	25,128	874,671	558,145	639,672	2,880,701	86.16%
2016	783,085	17,050	868,000	311,498	641,198	2,620,831	79.69%
2017	783,085	10,621	854,098	64,851	623,249	2,335,904	73.93%
2018	783,085	10,621	850,645	64,851	623,414	2,332,616	68.18%
2019	758,920	10,621	845,062	64,851	595,248	2,274,702	62.57%
2020	734,756	10,621	840,080	64,851	580,484	2,230,792	57.06%
2021	673,456	10,621	827,443	32,426	581,351	2,125,297	51.82%
2022	673,453	10,621	773,135	-	581,929	2,039,138	46.78%
2023	673,453	10,621	730,410	-	534,357	1,948,841	41.98%
2024	581,991	10,621	772,706	-	513,674	1,878,992	37.34%
2025	552,713	5,769	753,036	-	398,298	1,709,816	33.13%
2026-30	2,746,877	915	2,945,803	-	1,367,252	7,060,847	15.71%
2031-35	1,940,114	-	1,006,847	-	-	2,946,961	8.44%
2036-40	1,358,069	-	667,023	-	-	2,025,092	3.44%
2041-45	881,583	-	340,488	-	-	1,222,071	.42%
2046-50	-	-	122,783	-	-	122,783	.12%
2051-55	-	-	49,113	-	-	49,113	-
Totals	\$15,335,707	\$158,958	\$15,001,155	\$1,719,618	\$8,318,130	\$40,533,568	

OWDA – Ohio Water Development Authority
OPWC – Ohio Public Works Commission

Source: District Records

NONAGRICULTURAL EMPLOYMENT
 Toledo Primary Metropolitan Statistical Area
 (includes Wood County)
 At December 31, 2013

	<u>Employment</u>
Goods-Producing Industries	53,300
Natural Resources, Mining and Construction	11,100
Manufacturing	42,200
Durable Goods	31,500
Transportation Equipment	11,000
Service-Providing Industries	208,200
Trade, Transportation and Utilities	61,600
Information	3,300
Financial Activities	10,700
Professional and Business Services	36,600
Educational and Health Services	50,700
Leisure and Hospitality	34,000
Other Services	11,300
Government	46,900



■ Goods Producing

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>	2013			2004		
	<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	2,152	1	3.47	5,361	1	8.63
Owens Community College	1,872	2	3.02	1,525	2	2.45
Magna International	1,700	3	2.74	650	7	1.04
Wood County	1,200	4	1.94	1,221	4	1.96
First Solar	1,200	5	1.94	-	-	-
Wood County Hospital	900	6	1.45	500	10	.81
Chrysler	850	7	1.37	1,500	3	2.42
Owens-Illinois, Inc	835	8	1.35	-	-	-
Walgreen's	700	9	1.13	-	-	-
Nippon Sheet Glass	370	10	.59	-	-	-
Cooper Standard Automotive	-	-	-	1,049	5	1.69
GEM Rudolph-Libbe Companies	-	-	-	900	6	1.45
NFO Market Research	-	-	-	625	8	1.01
Great Lakes Window	-	-	-	507	9	.82
Totals	11,779		19.00%	13,838		22.28%
Total Employment Within Wood County 62,000				62,100		

Source: Wood County Economic Development Commission

WOOD COUNTY OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

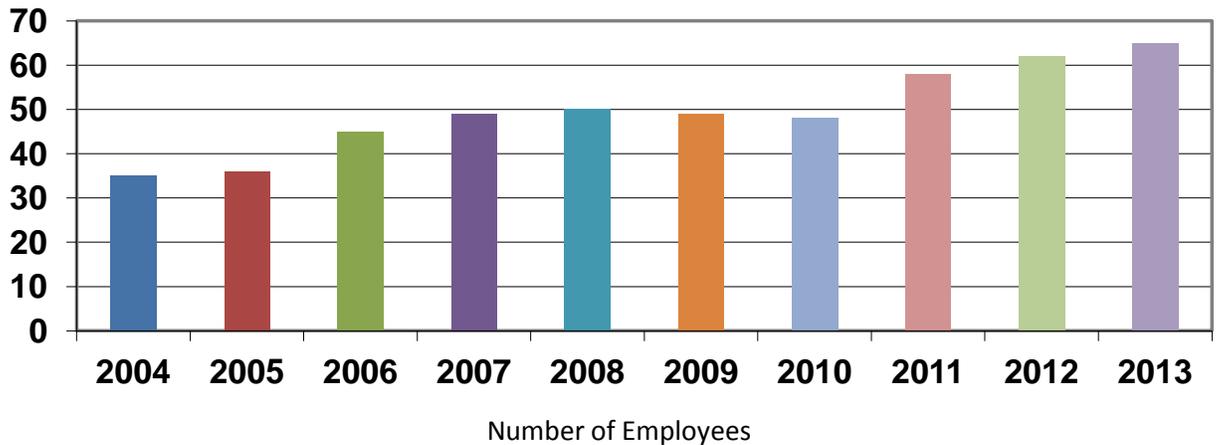
	<u>Population (Estimated)</u>	<u>Personal Income</u>	<u>Per Capital Personal Income</u>	<u>Unemployment Rate</u>
2013	128,200	\$4,940,000,000 est.	\$39,365 est.	6.30%
2012	128,200	4,947,622,600	38,593	6.10
2011	125,500	4,430,150,000	35,300	7.10
2010	125,488	4,434,871,408	35,341	9.10
2009	125,380	3,985,816,000	31,800	11.10
2008	124,990	4,347,543,000	34,783	8.40
2007	125,399	3,971,135,532	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

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 TEN FISCAL YEARS**

DEPARTMENT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration	2	2	2	2	2	2	2	2	3	3
Finance	2	2	2	3	3	3	3	3	3	3
Customer Service (1)	5	5	6	6	6	5	5	11	12	12
Engineering	6	7	9	9	9	10	10	12	10	12
GIS/IT (2)									3	3
Operations	20	20	26	29	30	29	28	30	31	32
Total	35	36	45	49	50	49	48	58	62	65



- (1) In 2011, the District assumed responsibility for billing approximately 6,800 customers that the City of Toledo had previously billed on behalf of the District
- (2) In 2012 GIS/IT staff separated from Engineering

Source: Northwestern Water and Sewer District



**NORTHWESTERN WATER AND SEWER DISTRICT
DEMOGRAPHICS STATISTICS
DECEMBER 31, 2013**

WATER SYSTEM

Miles of Potable Water Lines	413
Total Water Customers	14,704
Number of Fire Hydrants	3,613
Water Towers	7
Number of WaterShed & Bulk Water Stations	13

SEWER SYSTEM

Miles of Sewer Lines	332
Total Sewer Customers	16,726
Number of Pump Stations	88
Number of Treatment Plants	12
Number of Manholes	4,996

GENERAL INFORMATION

Population Served (Estimated)	42,500
Number of Employees	65

Source: Northwestern Water and Sewer District

Cover photo: Northwestern Water and Sewer District Annual Meeting

Photo by Valerie Megyesi

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NORTHWESTERN WATER AND
SEWER DISTRICT
Bowling Green, Ohio

REPORTS ISSUED PURSUANT TO
THE OMB CIRCULAR A-133
December 31, 2013

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

The Board of Trustees
Northwestern Water and Sewer District
Bowling Green, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwestern Water and Sewer District (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

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

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

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

The Board of Trustees
Northwestern Water and Sewer District

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Toledo, Ohio
June 27, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Northwestern Water and Sewer District
Bowling Green, Ohio

Report on Compliance for Each Major Federal Program

We have audited Northwestern Water and Sewer District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2013-001 that we consider to be a significant deficiency.

The Board of Trustees
Northwestern Water and Sewer District

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements. We issued our report thereon dated June 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Toledo, Ohio
June 27, 2014

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
U. S. Department of Agriculture			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	OH-WW-FIN-00-18	\$ 1,048,227
U.S. Department of Defense			
Direct Program:			
North Dakota Environmental Infrastructure ARRA	12.118	N/A	<u>68,612</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,116,839</u>

This schedule should be read only in connection with
the accompanying notes to the schedule.

NORTHWESTERN WATER AND SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of federal award programs of Northwestern Water and Sewer District (the District) under programs financed by the U.S. Government for the year ended December 31, 2013.

NOTE 2 - BASIS OF PRESENTATION

The accompanying Schedule is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

There are no noncash federal awards, loans, guarantees or subrecipients.

This information is an integral part of the accompanying schedule.

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X none reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X none reported
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes none reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.760</u>	<u>Water and Waste Disposal Systems for Rural Communities</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

None.

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013**

Section III – Federal Award Findings and Questioned Costs

Reference 2013-001 – Schedule of Expenditures of Federal Awards

Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: CFDA 10.760

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Compliance

Criteria or Specific Requirement

The Schedule of Expenditures of Federal Awards (SEFA) should accurately capture current year expenditures for all federal grants and awards.

Condition

The SEFA was completed by the District, however there were errors noted by CliftonLarsonAllen LLP, therefore the SEFA did not accurately reflect the program expenditures.

Questioned Costs

None

Effect

An accurate SEFA is essential for ensuring the District's compliance with federal grant requirements. In addition, the determination of major programs to be audited in the annual OMB Circular A-133 audit could be adversely effected and lead to the erroneous inclusion or exclusion of a major program.

Recommendation

We recommend that District management implement preparation and review procedures to ensure the accuracy and completeness of the SEFA. Procedures should include communication and training if necessary to the different departments to ensure proper reporting of federal expenditures. In addition, management should establish general ledger accounts to separately classify federal and non-federal matching dollars when applicable.

District Response

The District has implemented procedures to ensure accuracy and completeness of the SEFA.

**NORTHWESTERN WATER AND SEWER DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2013**

Reference 2012-001 – Schedule of Expenditures of Federal Awards

All Federal Grants

The Schedule of Expenditures of Federal Awards (SEFA) should accurately capture current year expenditures for all federal grants and awards. SEFA was completed by the District but with the assistance of CliftonLarsonAllen LLP and therefore, did not accurately reflect program expenditures.

Status

The finding has not been corrected. See Finding 2013-001.



Dave Yost • 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
JULY 29, 2014**