



Comprehensive Annual Financial Report
For the year ended December 31, 2010

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwestern Water and Sewer District, Wood County, prepared by Clifton Gunderson LLP, for the audit period January 1, 2010 through December 31, 2010. 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".

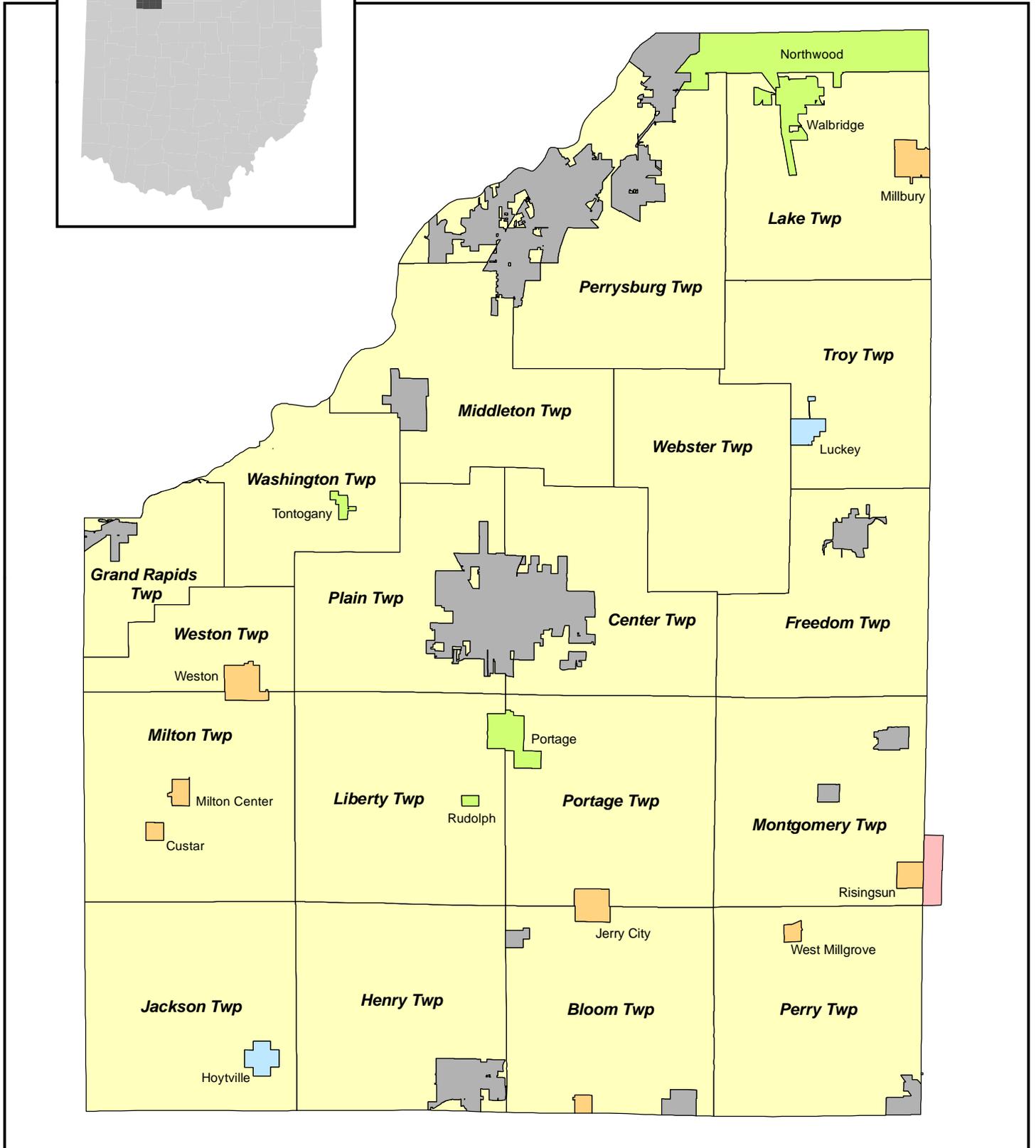
Dave Yost
Auditor of State

July 21, 2011

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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



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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June 23, 2010

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, 2010, 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, 2010 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.

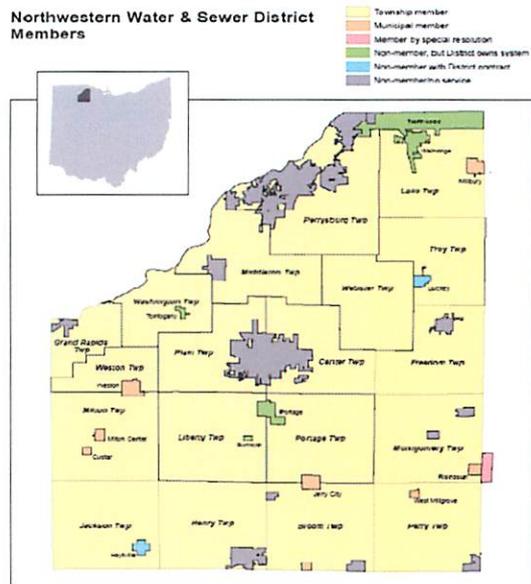
Included at the end of the Statistical Section is a section titled “Continuing Disclosure Requirements”. The schedules in this section are in addition to those required by the Government Finance Officers Association and are presented in compliance with the terms of the Continuing Disclosure Agreement 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 9 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 Executive Director is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply.

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 2010 population of the MSA is estimated to be approximately 651,429, of which the County accounted for approximately 125,488 in 2010. 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. The average per year salary by manufacturing employees in the county in 2009 was \$65,473.

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 2009-10 school year, the university had 20,000 students, 900 full-time faculty as well as 1,545 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2010 Owens had a student enrollment of approximately 19,000 in over 130 program areas by a full time faculty of 210. 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 2010 budget. This process will continue in 2011 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 \$42,788,863. 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, 2009. This was the seventh 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.

Stony Ridge/Lemoyne Sewer System

Construction of a sewer collection system for the Villages of Stony Ridge and Lemoyne began in 2010 and will be finished in 2011 and will cost an estimated \$5.3 million. This system will convert approximately 310 homes and other facilities from septic tanks to a central collection and treatment system.

Eastwood Commerce Center



The District is providing water and sewer service to a 400 acre parcel in Troy Township that will be marketed by the State of Ohio as a manufacturing site. The estimated cost of this project is \$7.2 million with the State of Ohio providing 37% of the funding with a grant and the remaining cost split between the District and the owner of the property.

INDEPENDENT AUDIT

Included in this report is an unqualified opinion rendered on the District's financial statements for the year ended December 31, 2010, by Clifton Gunderson 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.

Handwritten signature of Jerry Greiner in blue ink.

Jerry Greiner
Executive Director

Handwritten signature of Dave E. Cook in blue ink.

Dave E. Cook
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northwestern Water & Sewer
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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



President

Executive Director

DISTRICT OFFICIALS

DECEMBER 31, 2010

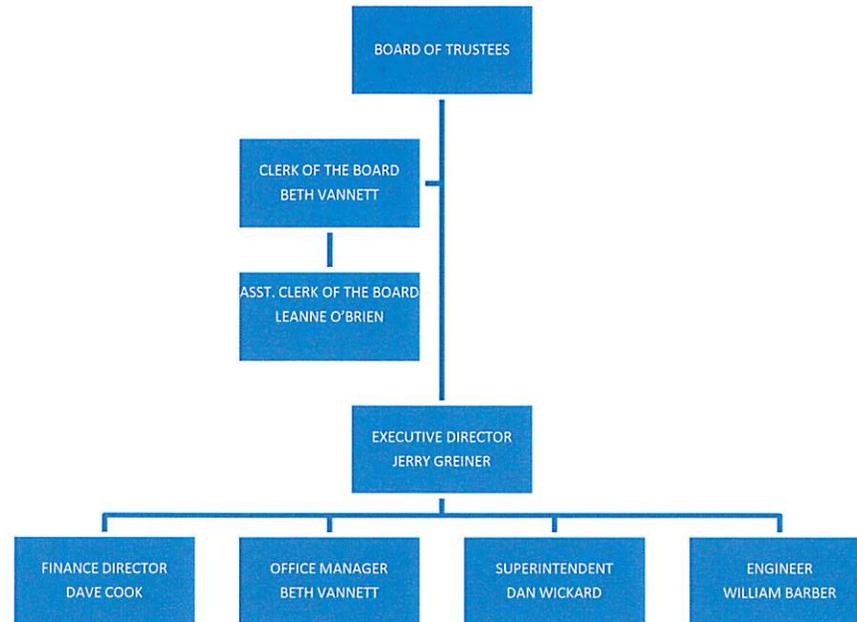
Board of Trustees

<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
President	John Cheney	7/21/92	12/31/10
Vice President	Alex Molner	1/16/97	12/31/12
Secretary/Treasurer	John Current	7/21/92	12/31/14
Member	John Ault	7/21/92	12/31/12
Member	William Hirzel	1/10/08	12/31/14
Member	Melinda Kale	1/11/07	12/31/14
Member	Lyle Schulte	1/01/99	12/31/10
Member	Adam Seibert	9/04/08	12/31/12
Member	Vacant		12/31/10

Senior Staff

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

ORGANIZATIONAL CHART
 NORTHWESTERN WATER AND SEWER DISTRICT
 DECEMBER 31, 2010



Number of Employees by Department

Administration	2
Engineering	10
Operations	28
Finance	3
Office	5
Total Employees December 31, 2009	48

Independent Auditor's Report

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

We have audited the accompanying statements of net assets of the Northwestern Water & Sewer District (the "District") as of December 31, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011 on our consideration of Northwestern Water & Sewer 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 the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Board of Trustees
Northwestern Water & Sewer District

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section; supplemental schedule of revenues, expenses, and changes in net assets – budget and actual (GAAP basis) for the year ended December 31, 2010; supplemental schedule of Net Assets Information by Division; supplemental schedule of Revenues, Expenses and Changes in Net Assets Information by Division; supplemental schedule of Cash Flows Information by Division; and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues, expenses, and changes in net assets – budget and actual (GAAP basis) for the year ended December 31, 2010 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Toledo, Ohio
June 23, 2011

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, 2010. 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 \$98,858,374 as of December 31, 2010.
- Net assets increased by \$6,067,178 in 2010.
- Of the increase in net assets, an increase of \$7,904,615 was attributable to investment in capital assets, net of related debt. The remaining change of a net decrease of \$1,837,437 was attributable to \$4,012,131 decrease in restricted net assets and \$2,174,694 increase in unrestricted assets.
- Debt decreased \$3,368,025. Retirements of debt principal were \$12,272,717 and new issues of debt principal were \$8,904,692.

Overview of the Financial Statements

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

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

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

The tables below provide a summary of the District's financial position and operations. Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the District's net assets, \$81.5 million (82%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Certain amounts may vary slightly due to differences caused by rounding to thousands.

NORTHWESTERN WATER & SEWER DISTRICT

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

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

	2010	2009	2008	Change		2009/2008 Amt	%
				2010/2009 Amt	%		
<u>Assets</u>							
Current assets	\$ 15,306	\$ 20,297	\$ 15,471	\$-4,991	-24.6%	\$ 4,826	31.2%
Capital assets, net	119,096	110,544	105,431	8,552	7.7	5,113	4.8
Other non-current assets	10,899	10,966	11,313	-67	-0.6	-347	-3.1
Total Assets	145,301	141,807	132,215	3,494	2.5	9,592	7.3
<u>Liabilities</u>							
Current liabilities	7,024	14,866	7,047	-7,842	-52.7	7,819	110.9
Long-term liabilities	39,419	34,150	32,553	5,269	15.4	1,597	4.9
Total Liabilities	46,443	49,016	39,600	-2,573	-5.2	9,416	23.8
<u>Net assets</u>							
Invested in capital assets	81,477	73,573	73,491	7,904	10.7	82	.1
Restricted	5,133	9,145	5,001	-4,012	-43.9	4,144	82.9
Unrestricted	12,248	10,073	14,124	2,175	21.6	-4,051	-28.7
Total net assets	\$ 98,858	\$ 92,791	\$ 92,616	\$ 6,067	6.5%	\$ 175	.2%

Net assets increased by \$6.067 million during 2010 and by \$175 thousands during 2009. The majority of this change was due to the following:

- Capital assets increased by \$12,489,378 offset by related depreciation increase of \$3,937,275 in 2010 and \$9,034,236 offset by related depreciation increased by \$3,920,454 in 2009 due mainly to construction of water and sewer lines.
- Short-term debt, including current portion of long-term debt decreased by \$8,608,786 in 2010 and increased by \$8,093,960 in 2009 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 Assets
For the years ended December 31,
(In Thousands of Dollars)**

	2010	2009	2008	Change			
				2010/2009		2009/2008	
				Amt	%	Amt	%
Utility Revenue	\$9,325	\$8,503	\$7,885	\$822	9.7%	\$618	7.8%
Fees and Permit	203	177	276	26	14.7	-99	-35.9
Contract Services	364	274	237	90	38.0	37	15.6
Other	269	243	188	26	10.7	55	29.3
Non-Operating Revenue	692	755	977	-63	-8.3	-222	-22.7
Total Revenues	10,853	9,952	9,563	901	4.1	389	4.1
Depreciation & Amortization	4,297	4,048	3,627	249	6.1	421	11.6
Other Operating Expense	6,210	6,230	6,594	-20	-0.3	-364	-5.5
Non-Operating Expense	1,905	1,919	1,507	-14	-7	412	27.3
Total Expenses	12,412	12,197	11,728	215	1.8	469	4.0
Loss Before Aid In Construction	-1,559	-2,245	-2,165	686	30.6	-80	-3.7
Aid In Construction	7,626	2,420	4,642	6,067	250.7	-2,222	-47.9
Changes in net assets	\$6,067	\$175	\$2,477	\$5,892	3,366.8%	\$-2,302	-92.9%

Utility revenues increased in both 2010 and 2009 due to a combination of increased customer base and an increase in rates.

Non-operating revenues decreased in 2010 by \$63,000 and decreased in 2009 by \$222,000 reflecting the affect of decreasing interest rates on the District's investments in 2010 and level interest rates 2009.

Other Operating Expense decreased by \$20,000 caused by an primarily by a decrease in labor and benefits in 2009.

NORTHWESTERN WATER & SEWER DISTRICT

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

Capital Assets

At the end of 2010, the District had \$119,096,452 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$8.5 million, or 7.7% over 2009.

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

	2010	2009	2008	Change			
				Amount	%	Amount	%
Land and Easements	\$ 435	\$ 431	\$ 411	\$ 4	0.9%	\$ 20	4.9%
Construction In Progress	12,262	8,057	11,667	4,205	52.2	-3,610	-30.9
Water and Sewer Lines	88,305	87,153	79,823	1,152	1.3	7,330	8.4
Buildings, Structures & Improvements	15,371	12,086	11,240	3,285	27.2	846	7.5
Equipment	2,723	2,817	2,290	-94	-3.3	527	23.0
Totals	\$119,096	\$110,544	\$ 105,431	\$ 8,552	7.7%	\$ 5,113	4.8%

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

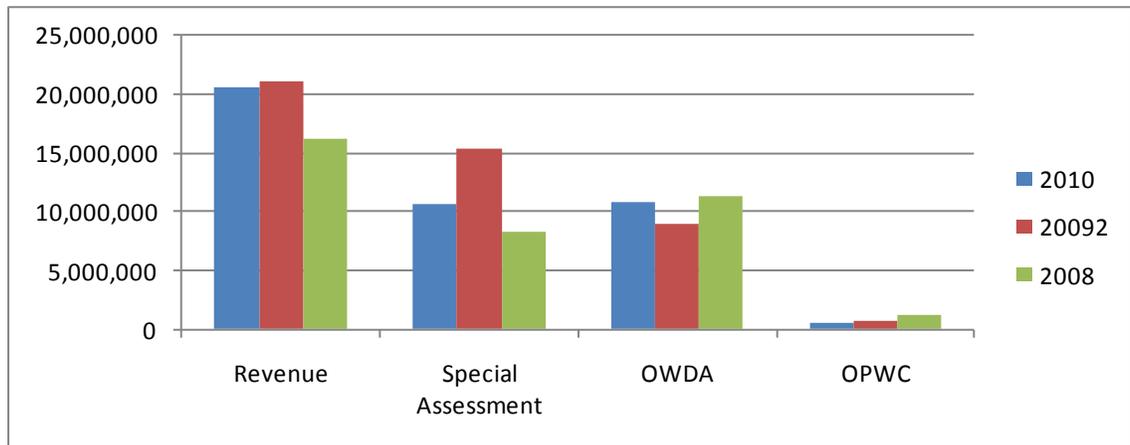
Management's Discussion and Analysis (Unaudited)

Debt Administration

At December 31, 2010 the District had total debt outstanding of \$42,788,863 compared to \$46,156,888 at December 31, 2009. This represents an decrease of \$3,368,025. During 2010 the District issued \$8,890,692 of new debt and repaid \$12,272,717 in principal on outstanding debt. At December 31, 2009 the District had total debt outstanding of \$46,156,888 compared to \$36,985,734 at December 31, 2008. This represents an increase of \$9,171,154. During 2009 the District issued \$13,463,141 of new debt and repaid \$4,291,987 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, (In Thousands)

	2010	2009	2008
Revenue Bonds and Notes	\$ 20,668,738	\$ 21,075,694	\$ 15,739,523
Special Assessment Bonds and Notes	10,703,978	15,413,080	9,220,800
Ohio Water Development Authority	10,804,683	9,003,513	11,287,047
Ohio Public Works Commission	611,464	664,601	738,364
	\$ 42,788,863	\$ 46,156,888	\$ 36,985,734



Type of Debt By Year

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Economic Factors

Based on the District's 2010 budget, sewer rates were increased 3.7% for a customer using 1,000 cubic feet. Water rates were increased by 2.3%, effective January 1, 2010 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 prorate 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 2011, the District expects new residential construction to continue to be down substantially from previous years due to the continued down turn in the economy. The District is holding preliminary discussions with several municipalities about joining the District which could add 2,500 additional customers

Contacting the District's Financial Management

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents – unrestricted (Note 2)	\$ 2,111,854	\$ 2,607,016
Cash and cash equivalents – restricted (Note 2)	3,792,101	8,005,575
Investments – unrestricted (Note 2)	3,561,186	4,184,366
Investments – restricted (Note 2)	1,504,138	1,251,135
Accounts receivable – trade	2,705,846	2,756,687
Grant receivable	-	90,620
Current portion of special assessments	910,636	872,704
Inventory	535,452	459,297
Prepaid expenses	<u>57,471</u>	<u>69,166</u>
Total current assets	<u>15,178,684</u>	<u>20,296,566</u>
NONCURRENT ASSETS		
Capital assets (Note 3):		
Sewer and water lines	148,230,965	144,133,278
Buildings, pumps and lift stations	17,548,843	13,605,255
Machinery and equipment	4,378,351	3,937,217
Vehicles	1,633,957	1,656,557
Furniture and fixtures	251,536	250,404
Computer equipment	737,734	918,524
Improvements – Oregon waste water treatment plant	<u>5,574,763</u>	<u>5,574,763</u>
Total depreciable capital assets	178,356,149	170,075,998
Accumulated depreciation and amortization	<u>(71,957,190)</u>	<u>(68,019,915)</u>
Net depreciable capital assets	106,398,959	102,056,083
Land	431,162	431,162
Easements	4,584	-
Construction in progress	<u>12,261,747</u>	<u>8,057,104</u>
Net capital assets	<u>119,096,452</u>	<u>110,544,349</u>
OTHER ASSETS		
Special assessments, less current portion	10,078,730	10,170,262
Reserve with county commissioners (Note 6)	258,351	258,351
Deferred loan costs, net of accumulated amortization of \$54,995 and \$51,613 in 2010 and 2009, respectively	36,918	40,300
Miscellaneous	<u>524,765</u>	<u>497,080</u>
Total other assets	<u>10,898,764</u>	<u>10,965,993</u>
Total noncurrent assets	<u>129,995,216</u>	<u>121,510,342</u>
TOTAL ASSETS	<u><u>\$ 145,173,900</u></u>	<u><u>\$ 141,806,908</u></u>

LIABILITIES AND NET ASSETS	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Current portion of long-term debt (Note 4 and 5)	\$ 3,673,278	\$ 12,282,064
Accounts payable – trade	1,948,379	1,003,776
Accrued payroll and payroll taxes	213,998	194,103
Accrued interest payable	502,721	779,192
Accounts due others	<u>685,394</u>	<u>607,042</u>
Total current liabilities	<u>7,023,770</u>	<u>14,866,177</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion (Note 4 and 5)	39,115,585	33,874,824
Compensated absences payable (Note 8)	<u>303,171</u>	<u>274,711</u>
Total long-term liabilities	<u>39,418,756</u>	<u>34,149,535</u>
Total liabilities	<u>46,442,526</u>	<u>49,015,712</u>
NET ASSETS		
Invested in capital assets, net of related debt	81,477,486	73,572,871
Restricted for long-term debt	5,132,979	9,145,110
Unrestricted	<u>12,120,909</u>	<u>10,073,215</u>
TOTAL NET ASSETS	<u>\$ 98,731,374</u>	<u>\$ 92,791,196</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Utility revenue	\$ 9,325,099	\$ 8,502,968
Fees and permits	202,614	176,798
Contract services	236,861	274,387
Other	<u>268,751</u>	<u>243,012</u>
Total operating revenues	<u>10,033,325</u>	<u>9,197,165</u>
OPERATING EXPENSES		
Depreciation and amortization	4,297,472	4,047,774
Labor	2,018,976	2,046,009
Employee benefits	863,219	901,837
Professional services	522,141	478,371
Purchased water and sewer treatment	1,359,489	1,257,114
Materials and supplies	689,697	654,503
Utilities	373,648	396,094
Rent	2,222	2,382
Other	<u>380,751</u>	<u>493,539</u>
Total operating expenses	<u>10,507,615</u>	<u>10,277,623</u>
Operating loss	<u>(474,290)</u>	<u>(1,080,458)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	700,659	769,625
Interest expense	(1,904,581)	(1,919,058)
Other income	<u>(7,888)</u>	<u>(14,538)</u>
Total nonoperating expenses	(1,211,810)	(1,163,971)
AID IN CONSTRUCTION	<u>7,626,278</u>	<u>2,419,646</u>
Change in net assets	5,940,178	175,217
NET ASSETS		
Beginning of year	<u>92,791,196</u>	<u>92,615,979</u>
End of year	<u>\$ 98,731,374</u>	<u>\$ 92,791,196</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 10,084,166	\$ 8,794,087
Cash payments to suppliers for goods and services	(2,456,049)	(3,098,919)
Cash payments to employees for services	<u>(2,833,840)</u>	<u>(3,047,972)</u>
Net cash provided by operations	<u>4,963,319</u>	<u>2,647,196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Aid in construction	7,626,278	2,612,024
Acquisition and construction of capital assets	(12,879,039)	(9,105,908)
Proceeds from sale of capital assets	5,447	15,230
Proceeds from issuance of long-term debt	8,904,692	13,463,141
Repayment of long-term debt	(12,272,717)	(4,291,987)
Collections on special assessments	53,600	2,050,094
Interest paid	<u>(2,181,052)</u>	<u>(1,638,620)</u>
Net cash provided by (used in) capital and related financing activities	<u>(10,742,791)</u>	<u>3,103,974</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	700,659	769,625
Proceeds on sale of investments	3,241,086	3,553,060
Purchases of investments	<u>(2,870,909)</u>	<u>(5,674,910)</u>
Net cash provided by (used in) investing activities	<u>1,070,836</u>	<u>(1,352,225)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,708,636)	4,398,945
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>10,612,591</u>	<u>6,213,646</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 5,903,955</u>	<u>\$ 10,612,591</u>
RESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,792,101</u>	<u>\$ 8,005,575</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 2,111,854</u>	<u>\$ 2,607,016</u>

**NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS, CONTINUED
Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATIONS		
Operating loss	\$ (474,290)	\$(1,080,458)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	4,297,472	4,047,774
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable – trade	199,085	196,922
Grant receivable	90,620	-
Inventory	(76,155)	(21,987)
Other assets	483,737	(459,720)
Accounts payable – trade	344,603	270,768
Accrued payroll and payroll taxes	19,895	(100,126)
Accounts due others	<u>78,352</u>	<u>(205,977)</u>
 Total adjustments	 <u>5,310,609</u>	 <u>3,727,654</u>
 Net cash provided by operations	 <u>\$ 4,963,319</u>	 <u>\$ 2,647,196</u>

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statements No. 14 and 39 are the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. The criterion was considered in determining the reporting entity. The District does not have financial accountability over any entities.

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, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Continued

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* and in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the District applies all GASB pronouncements and all Financial Accounting Standards Board *Accounting Standards Codification and Updates* issued after November 30, 1989, unless they conflict with GASB pronouncements.

Measurement Focus

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

Use of Estimates

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

Budgetary Process

The District is required by law to budget its funds, through adoption of an operating budget by 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 a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable - Trade

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Loan Costs

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

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.

Capital Assets

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

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

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

Construction in process includes all of the 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, 2010 and 2009.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Compensated Absences

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

Revenues and Expenses

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

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

Aid in Construction

Certain types of revenues received by the District for which no value is given in return, including derived tax revenues, imposed 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 Assets

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

The District's Board of Trustees has designated unrestricted net assets of \$2,442,000 and \$6,417,105 as of December 31, 2010 and 2009, 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.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2010 and 2009, respectively.

Reclassification

Certain reclassifications of the 2009 amounts have been made to conform with the 2010 presentation.

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.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures* – an amendment of GASB Statement No. 3. The carrying value of the District's deposits was \$2,275,114 and \$484,804 at December 31, 2010 and 2009, respectively. At December 31, 2010 the bank balance of \$2,656,269 was covered by federal depository insurance and \$2,406,269 was covered by collateral held by the pledging financial institution, but not in the name of the District. At December 31, 2009, the bank balance of \$362,769 was covered by federal depository insurance and \$413,077 was covered by collateral held by the pledging financial institution, but not in the name of the district.

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

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 2010 and 2009, the District's investment in Federal Home Loan Bank Notes represents 2% and 4% of the District's total investments, respectively. The District's investment in Federal National Mortgage Association Notes represents 10% and 8% of the District's total investments in 2010 and 2009, respectively.

As of December 31, 2010, 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>2010</u>		<u>2009</u>
	<u>Fair</u>	<u>Maturity</u>	<u>Fair</u>
	<u>value</u>	<u>(less than</u>	<u>value</u>
		<u>1 year)</u>	
U.S. Treasuries and Federal Agency obligations	\$ 5,063,585	\$ 1,284,152	\$ 4,252,121
Money market mutual funds	1,267,743	1,267,743	2,242,084
STAR Ohio	<u>2,362,837</u>	<u>2,362,837</u>	<u>9,069,083</u>
Total investments, including restricted	<u>\$ 8,694,165</u>	<u>\$ 4,914,732</u>	<u>\$ 15,563,288</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

Classification in the statement of net assets:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents:		
Current	\$ 2,111,854	\$ 2,607,016
Restricted for debt retirement	<u>3,792,101</u>	<u>8,005,575</u>
Total	<u>\$ 5,903,955</u>	<u>\$ 10,612,591</u>
Investments:		
Current	\$ 3,561,186	\$ 4,184,366
Restricted for debt retirement	<u>1,504,138</u>	<u>1,251,135</u>
Total	<u>\$ 5,065,324</u>	<u>\$ 5,435,501</u>

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2010 is as follows:

	Balance at December 31, 2009	Additions	Retirements	Transfers	Balance at December 31, 2010
Non-depreciable:					
Land	\$ 431,162	\$ -	\$ -	\$ -	\$ 431,162
Easements	-	4,584	-	-	4,584
Construction in progress	<u>8,057,104</u>	<u>11,126,642</u>	<u>(27,939)</u>	<u>(6,894,060)</u>	<u>12,261,747</u>
Total non- depreciable	<u>8,488,266</u>	<u>11,131,226</u>	<u>(27,939)</u>	<u>(6,894,060)</u>	<u>12,697,493</u>
Depreciable:					
Sewer and water lines	144,133,278	1,454,686	(89,339)	2,732,340	148,230,965
Buildings, pumps and lift station	13,605,255	21,597	-	3,921,991	17,548,843
Machinery and equipment	3,937,217	201,405	-	239,729	4,378,351
Vehicles	1,656,557	-	(22,600)	-	1,633,957
Furniture and fixtures	250,404	1,132	-	-	251,536
Computer equipment	918,524	68,993	(249,783)	-	737,734
Improvements – Oregon waste water treatment plant	<u>5,574,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,574,763</u>
Total depreciable	<u>170,075,998</u>	<u>1,747,813</u>	<u>(361,722)</u>	<u>6,894,060</u>	<u>178,356,149</u>
Totals at historical cost	<u>178,564,264</u>	<u>12,879,039</u>	<u>(389,661)</u>	<u>-</u>	<u>191,053,642</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Balance at December 31, 2009	Additions	Retirements	Transfers	Balance at December 31, 2010
Accumulated depreciation:					
Sewer an water lines	\$ 56,980,571	\$ 2,974,769	\$ (25,863)	\$ -	\$ 59,929,477
Buildings, pumps and lift station	5,365,704	502,584	-	-	5,868,288
Machinery and equipment	2,303,041	232,304	-	-	2,535,345
Vehicles	964,512	188,092	(22,600)	-	1,130,004
Furniture and fixtures	156,131	21,907	-	-	178,038
Computer equipment	521,702	163,023	(249,441)	-	435,284
Improvements – Oregon waste water treatment plant	<u>1,728,254</u>	<u>152,500</u>	<u>-</u>	<u>-</u>	<u>1,880,754</u>
Total accumulated depreciation	<u>68,019,915</u>	<u>4,235,179</u>	<u>(297,904)</u>	<u>-</u>	<u>71,957,190</u>
Capital assets, net	<u>\$ 110,544,349</u>	<u>\$ 8,643,860</u>	<u>\$ (91,757)</u>	<u>\$ -</u>	<u>\$ 119,096,452</u>
Depreciation expense charged to operating expense		\$ 4,235,179			
Amortization of loan costs		<u>62,293</u>			
Total depreciation and amortization		<u>\$ 4,297,472</u>			

Capital asset activity for the year ended December 31, 2009 is as follows:

	Balance at December 31, 2008	Additions	Retirements	Transfers	Balance at December 31, 2009
Non-depreciable:					
Land	\$ 411,357	\$ 19,805	\$ -	\$ -	\$ 431,162
Construction in progress	<u>11,666,802</u>	<u>6,576,900</u>	<u>-</u>	<u>(10,186,598)</u>	<u>8,057,104</u>
Total non- depreciable	<u>12,078,159</u>	<u>6,596,705</u>	<u>-</u>	<u>(10,186,598)</u>	<u>8,488,266</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Balance at December 31, 2008	Additions	Retirements	Transfers	Balance at December 31, 2009
Depreciable:					
Sewer and water lines	\$ 133,886,734	\$ 911,202	\$ -	\$ 9,335,342	\$ 144,133,278
Buildings, pumps and lift station	12,159,263	996,807	-	449,185	13,605,255
Machinery and equipment	3,433,154	302,286	6,728	208,505	3,937,217
Vehicles	1,579,547	128,732	51,722	-	1,656,557
Furniture and fixtures	231,168	21,231	1,995	-	250,404
Computer equipment	600,921	143,361	11,227	185,469	918,524
Improvements – Oregon waste water treatment plant	<u>5,561,082</u>	<u>5,584</u>	<u>-</u>	<u>8,097</u>	<u>5,574,763</u>
Total depreciable	<u>157,451,869</u>	<u>2,509,203</u>	<u>71,672</u>	<u>10,186,598</u>	<u>170,075,998</u>
Totals at historical cost	<u>169,530,028</u>	<u>9,105,908</u>	<u>71,672</u>	<u>-</u>	<u>178,564,264</u>
Accumulated depreciation:					
Sewer an water lines	54,064,191	2,916,380	-	-	6,980,571
Buildings, pumps and lift station	4,901,774	463,930	-	-	5,365,704
Machinery and equipment	2,121,092	185,714	3,765	-	2,303,041
Vehicles	841,663	173,362	50,513	-	964,512
Furniture and fixtures	135,388	21,674	931	-	156,131
Computer equipment	456,936	71,220	6,454	-	521,702
Improvements – Oregon waste water treatment plant	<u>1,578,417</u>	<u>149,837</u>	<u>-</u>	<u>-</u>	<u>1,728,254</u>
Total accumulated depreciation	<u>64,099,461</u>	<u>3,982,117</u>	<u>61,663</u>	<u>-</u>	<u>68,019,915</u>
Capital assets, net	<u>\$ 105,430,567</u>	<u>\$ 5,123,791</u>	<u>\$ 10,009</u>	<u>\$ -</u>	<u>\$ 110,544,349</u>
Depreciation expense charged to operating expense		\$ 3,982,117			
Amortization of loan costs		<u>65,657</u>			
Total depreciation and amortization		<u>\$ 4,047,774</u>			

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 - DEBT

The District has sixteen 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, 2010 and 2009:

<u>Project Number</u>	<u>Date of loan</u>	<u>Original amount</u>	<u>Interest rate</u>	<u>Final payment date</u>	<u>2010 amount outstanding</u>	<u>2009 amount outstanding</u>
SS #140	09/29/94	\$ 1,065,000	4.18%	07/01/14	\$ 288,604	\$ 353,594
WL #234	07/27/95	5,496,313	6.36	01/01/16	2,228,067	2,558,633
WL #167 – 183	05/24/99	3,503,947	5.56	07/01/20	2,220,720	2,382,941
SS #904 & WL #904	08/31/00	1,660,596	3.0 – 6.39	01/01/21	1,055,107	1,123,851
WL #300	10/28/04	90,500	4.10	01/01/25	72,418	76,013
WL #318	09/31/04	338,000	4.56	07/01/24	266,274	279,615
SS #1000	11/04/04	168,224	4.56	07/01/24	132,990	139,653
Weston 2918	02/25/93	943,552	2.00	01/01/19	374,265	414,308
Weston 3587	09/26/01	560,079	1.50	07/01/23	382,777	409,255
Weston 4046	02/26/04	420,316	1.50	07/01/25	326,705	345,991
Williamsburg 4715	05/31/07	71,100	3.20	01/01/13	-	59,646
Williamsburg 5097	4/30/09	650,829	3.70	07/01/29	426,120	-
Northwood 2069	12/11/97	830,175	5.88	07/01/23	572,376	601,227
Northwood 2070	05/28/98	360,000	5.66	07/01/23	246,174	258,786
Weston 5730	10/27/10	908,842	3.41	01/01/31	798,004	-
Custar 444	01/26/06	782,759	1.50	01/01/37	708,457	-
Milton Center	05/31/07	757,375	1.00	07/01/38	<u>705,625</u>	<u>-</u>
Total					<u>\$ 10,804,683</u>	<u>\$ 9,003,513</u>

Other long-term loans at December 31, 2010 and 2009 are as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2010 amount outstanding</u>	<u>2009 amount outstanding</u>
12/01/97	Jerry City SS/Cygnet Lagoon	6.04%	12/01/36	\$ 192,949	\$ 196,006
08/13/98	Jerry City SS #1800 OPWC Loan	-	07/01/18	227,561	252,846
09/08/98	Jerry City SS #1800 USDA Loan	4.75	09/08/38	247,500	251,700
07/01/03	W. Boundary Rehab OPWC Loan	-	07/01/13	51,894	69,192
12/05/05	Easterly OPWC Loan	-	01/01/17	112,660	129,992
07/31/04	Jerry City WL #CE37F	-	01/01/25	140,738	150,444
11/03/04	Rudolph SS #CE33E	-	07/01/24	57,986	62,127
07/01/07	Village of Custar #CE411	-	01/01/27	20,625	-
09/02/10	Bank of the West	-	09/02/12	584,671	-
06/08/10	Wood County Landfill	2.50	02/11/11	<u>890,000</u>	<u>-</u>
Total				<u>\$ 2,526,584</u>	<u>\$ 1,112,307</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 4 - DEBT (CONTINUED)

Bonded debt at December 31, 2010 and 2009 is as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Original amount</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2010 amount outstanding</u>	<u>2009 amount outstanding</u>
09/17/96	Special Assessment Bond	\$ 277,159	6.20%	12/01/16	\$ 83,000	\$ 97,000
10/01/98	Special Assessment Bond	360,000	4.25 -			
			5.25	10/01/18	140,000	160,000
09/23/99	Special Assessment Bond	500,000	5.85	12/01/19	290,000	315,000
09/20/00	Special Assessment Bond	175,000	6.13	12/01/20	90,000	100,000
03/01/02	2002 Revenue Bond	4,235,000	3.00 -			
			5.25	12/01/21	1,515,000	1,695,000
06/07/02	Special Assessment Bond	957,578	4.75	11/01/22	604,000	652,000
09/01/02	Special Assessment Bond	74,000	2.91 -			
			5.10	12/01/22	53,879	57,283
09/01/02	Special Assessment Bond	1,121,000	2.91 -			
			5.10	12/01/22	816,121	867,716
03/20/03	USDA Building Construction	2,975,000	4.63	03/20/33	2,590,699	2,653,318
09/01/03	Special Assessment Bond	1,245,000	2.00 -			
			5.35	09/01/23	934,999	984,999
06/28/04	USDA Revenue Bond	796,000	4.375	06/01/44	751,900	761,500
09/08/04	USDA Special Assessment Bond	820,000	4.75	09/01/24	648,700	680,700
09/15/04	Revenue Bond	2,165,000	2.00 -			
			5.00	12/01/24	1,711,946	1,804,289
09/15/04	Special Assessment Bond	2,000,000	2.00 -			
			5.00	12/01/24	1,554,999	1,634,999
08/01/05	Revenue Bond	1,200,000	3.00 -			
			5.00	12/01/25	1,017,873	1,071,065
08/16/06	Special Assessment Bond	1,010,000	4.00 -			
			4.65	12/31/26	880,000	920,000
02/16/06	Rotary Commission Loan	168,026	5.00	03/01/26	125,622	128,990
08/27/08	Revenue Bond	6,910,000	3.00 -			
			5.00	12/01/28	6,440,000	6,680,000
09/03/08	Special Assessment Bond	2,205,000	3.00	12/01/28	2,132,658	2,210,639
05/27/09	USDA Revenue Bond	2,400,000	4.25	05/01/49	2,376,200	2,400,000
06/10/09	2009 Special Assessment Bond	6,580,000	4.25	06/09/10	-	6,603,754
06/10/09	2009 Revenue Bond	3,550,000	4.25	06/09/10	-	3,562,816
06/08/10	2010 Special Assessment Bond	2,350,000	3.50 -			
			6.28	12/01/30	2,350,000	-
06/08/10	2010 Revenue Bond	2,350,000	5.00 -			
			6.23	12/01/30	<u>2,350,000</u>	<u>-</u>
Total					<u>\$ 29,457,596</u>	<u>\$ 36,041,068</u>

The Series 2010 Bonds were issued as Build America Bonds that are Recovery Zone Economic Development Bonds. The bonds interest is included in gross income for federal income tax purposes for bond holders. Under section 54AA(g) of the Internal Revenue Service Code, the District has elected a direct payment by the Treasury to the issuer and the Treasury will pay the District 45% of the interest payable on the bonds so long as the bonds comply with all federal tax requirements.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - DEBT (CONTINUED)

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

Long-term debt activity for the years ended December 31, 2010 and 2009 is as follows:

	2010				Amount due in 2011
	Balance at December 31, 2009	Additions	Reductions	Balance at December 31, 2010	
OWDA:					
SS #140	\$ 353,594	\$ -	\$ 64,990	\$ 288,604	\$ 67,734
WL #234	2,558,633	-	330,566	2,228,067	351,589
WL #167 – 183	2,382,941	-	162,221	2,220,720	171,366
SS #904 & WL #904	1,123,851	-	68,744	1,055,107	73,208
SS #1000	139,653	-	6,663	132,990	6,971
WL #300	76,013	-	3,595	72,418	3,743
Williamsburg	59,646	-	59,646	-	-
Weston 2918	414,308	-	40,043	374,265	40,844
Weston 3587	409,255	-	26,478	382,777	26,877
Weston 4046	345,991	-	19,286	326,705	19,576
Williamsburg 5097	-	448,585	22,465	426,120	15,804
Custar	-	727,820	19,363	708,457	21,953
Milton Center	-	730,612	24,987	705,625	21,955
Weston Water Tower	-	798,004	-	798,004	14,078
OPWC – Custar	-	25,000	4,375	20,625	1,250
Jerry City SS/Cygnnet Lagoon	196,006	-	3,057	192,949	3,241
Jerry City SS #1800 OPWC Loan	252,846	-	25,285	227,561	25,285
Jerry City SS #1800 USDA Loan	251,700	-	4,200	247,500	4,400
W. Boundary Rehab OPWC Loan	69,192	-	17,298	51,894	17,298
Jerry City WL #CE37F (WL 318)	150,444	-	9,706	140,738	9,706
Easterly OPWC Loan	129,992	-	17,332	112,660	17,332
Rudolph SS1000 #CE33E	62,127	-	4,141	57,986	4,142
Special assessments bond – WL 183C	97,000	-	14,000	83,000	14,000
Special assessments bond	160,000	-	20,000	140,000	15,000
Special assessments bond – 1999	315,000	-	25,000	290,000	25,000
Special assessments bond – 2000	100,000	-	10,000	90,000	10,000
2002 revenue bond	1,695,000	-	180,000	1,515,000	180,000
Special assessments bond – Stearns Crest	652,000	-	48,000	604,000	48,000
Special assessments bond – 2002	57,283	-	3,404	53,879	3,406
Special assessments bond – 2002	867,716	-	51,595	816,121	51,594
USDA building construction	2,653,318	-	62,619	2,590,699	65,515
Special assessments bond – 2003	984,999	-	50,000	934,999	55,000
USDA Revenue Bond – Rudolph Bond	761,500	-	9,600	751,900	10,000

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 4 - DEBT (CONTINUED)

	2010				
	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2010</u>	<u>Amount due in 2011</u>
USA special Assessment Bond – Jerry City	\$ 680,700	\$ -	\$ 32,000	\$ 648,700	\$ 33,600
Special Assessment Bond – Series 2004B	1,804,289	-	92,343	1,711,946	90,000
Revenue Bond – Series 2004A	1,634,999	-	80,000	1,554,999	85,000
OWDA Jerry City – WL 318	279,615	-	13,341	266,274	13,956
Revenue bond – Series 2005A	1,071,065	-	53,192	1,017,873	50,000
2006A Special Assessment Bond	920,000	-	40,000	880,000	40,000
Rotary Commission Loan	128,990	-	3,368	125,622	125,622
2008 Revenue Bond	6,680,000	-	240,000	6,440,000	245,000
2008 Special Assessment Bond	2,210,639	-	77,981	2,132,658	80,000
OWDA Northwood – 2069	601,227	-	28,851	572,376	30,547
OWDA Northwood – 2070	258,786	-	12,612	246,174	13,325
USDA Rising Sun	2,400,000	-	23,800	2,376,200	24,800
2009 Revenue Bonds	3,562,816	-	3,562,816	-	-
2009 Special Assessment Bonds	6,603,754	-	6,603,754	-	-
Bank of the West	-	584,671	-	584,671	415,561
Wood County Landfill	-	890,000	-	890,000	890,000
2010 Revenue Bonds	-	2,350,000	-	2,350,000	70,000
2010 Special Assessment Bonds	-	2,350,000	-	2,350,000	70,000
Total	<u>\$ 46,156,888</u>	<u>\$ 8,904,692</u>	<u>\$ 12,272,717</u>	<u>\$ 42,788,863</u>	<u>\$ 3,673,278</u>

	2009				
	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2009</u>	<u>Amount due in 2010</u>
OWDA:					
SS #140	\$ 415,949	\$ -	\$ 62,355	\$ 353,594	\$ 64,989
WL #234	2,869,431	-	310,798	2,558,633	330,565
WL #167 – 183	2,536,504	-	153,563	2,382,941	162,221
SS #904 & WL #904	1,188,405	-	64,554	1,123,851	68,744
SS #1000	146,022	-	6,369	139,653	6,663
WL #300	79,465	-	3,452	76,013	3,594
Williamsburg	23,088	36,558	-	59,646	59,646
Weston 2918	453,566	-	39,258	414,308	40,043
Weston 3587	435,341	-	26,086	409,255	26,478
Weston 4046	364,991	-	19,000	345,991	19,286
Jerry City SS/Cygnets Lagoon	198,889	-	2,883	196,006	3,057
Jerry City SS #1800	278,131	-	25,285	252,846	25,285
OPWC Loan	278,131	-	25,285	252,846	25,285
Jerry City SS #1800	255,700	-	4,000	251,700	4,200
USDA Loan	255,700	-	4,000	251,700	4,200

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 - DEBT (CONTINUED)

	2009				
	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2009</u>	<u>Amount due in 2010</u>
W. Boundary Rehab OPWC Loan	\$ 86,490	\$ -	\$ 17,298	\$ 69,192	\$ 17,298
Jerry City WL #CE37F (WL 318)	160,150	-	9,706	150,444	9,706
Easterly OPWC Loan	147,324	-	17,332	129,992	17,332
Rudolph SS1000 #CE33E	66,269	-	4,142	62,127	4,142
Special assessments bond – WL 183C	111,000	-	14,000	97,000	14,000
Special assessments bond	175,000	-	15,000	160,000	20,000
Special assessments bond – 1999	340,000	-	25,000	315,000	25,000
Special assessments bond – 2000	110,000	-	10,000	100,000	10,000
2002 revenue bond	1,875,000	-	180,000	1,695,000	180,000
Special assessments bond – Stearns Crest	700,000	-	48,000	652,000	48,000
Special assessments bond – 2002	60,378	-	3,095	57,283	3,406
Special assessments bond – 2002	914,621	-	46,905	867,716	51,594
USDA building construction	2,713,169	-	59,851	2,653,318	62,619
Special assessments bond – 2003	1,034,999	-	50,000	984,999	50,000
USDA Revenue Bond – Rudolph Bond	770,700	-	9,200	761,500	9,600
USA special Assessment Bond – Jerry City	711,200	-	30,500	680,700	32,000
Special Assessment Bond – Series 2004B	1,891,809	-	87,520	1,804,289	90,000
Revenue Bond – Series 2004A	1,714,999	-	80,000	1,634,999	80,000
OWDA Jerry City – WL 318	293,542	-	13,927	279,615	13,342
Revenue bond – Series 2005A	1,124,256	-	53,191	1,071,065	50,000
2006A Special Assessment Bond	955,000	-	35,000	920,000	40,000
Rotary Commission Loan	128,990	-	-	128,990	128,990
Rising Sun – OWDA Short-Term	2,480,743	-	2,480,743	-	-
2008 Revenue Bond	6,910,000	-	230,000	6,680,000	240,000
2008 Special Assessment Bond	2,264,613	-	53,974	2,210,639	75,000
OWDA Northwood – 2069	-	601,227	-	601,227	28,852
OWDA Northwood – 2070	-	258,786	-	258,786	12,612
USDA Rising Sun	-	2,400,000	-	2,400,000	23,800
2009 Revenue Bonds	-	3,562,816	-	3,562,816	3,550,000
2009 Special Assessment Bonds	-	6,603,754	-	6,603,754	6,580,000
Total	<u>\$ 36,985,734</u>	<u>\$ 13,463,141</u>	<u>\$ 4,291,987</u>	<u>\$ 46,156,888</u>	<u>\$ 12,282,064</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 5 - DEBT

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,673,278	\$ 1,906,734	\$ 5,580,012
2012	2,468,395	1,807,911	4,276,306
2013	2,399,972	1,705,698	4,105,670
2014	2,468,074	1,598,724	4,066,798
2015	2,501,307	1,481,713	3,983,020
2016 – 2020	11,625,617	5,729,010	17,354,627
2021 – 2025	8,962,841	3,151,871	12,114,712
2026 – 2030	5,465,598	1,347,608	6,813,206
2031 – 2035	1,323,070	486,292	1,809,362
2036 – 2040	688,938	305,298	994,236
2041 – 2045	625,300	175,491	800,791
2046 – 2049	<u>586,473</u>	<u>49,265</u>	<u>635,738</u>
Total	<u>\$42,788,863</u>	<u>\$19,745,615</u>	<u>\$62,534,478</u>

At December 31, 2010 and 2009, respectively, the District had \$5,296,239 and \$9,256,710 in cash and cash equivalents and investments restricted in accordance with loan agreements.

NOTE 6 - COUNTY DEBT OBLIGATIONS

The County has issued special assessment debt on behalf of the District to fund District projects. This debt will be paid from the proceeds of special assessments levied against those property owners that benefited from the projects. In the event that property owners fail to make their special assessment payments, the County is responsible for the annual principal and interest payments. At December 31, 2010 and 2009, \$375,000 and \$737,000, 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 2010 and 2009, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,351 as of December 31, 2010 and 2009.

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - COUNTY DEBT OBLIGATIONS (CONTINUED)

At December 31, 2010 and 2009, \$1,782,144 and \$1,788,069, 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 2010 and 2009, or in prior years on this reserve.

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of qualifying gross wages for all employees. The total 2010 and 2009 employer contribution rate was 14% of covered payroll. The District's contributions to PERS for the years ending December 31, 2010 and 2009 and 2008 were \$343,264, \$336,898, and \$335,302, respectively. All required contributions were made prior to each of those fiscal year ends. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2010 employer contribution rate was 5.5% from January 1, 2010 through February 28, 2010 and 5.0% from March 1, 2010 through December 31, 2010 of covered payroll. The 2010 employer contribution of covered payroll which was the portion that was used to fund health care amounted to \$134,854. The 2009 employer contribution rate was 7% from January 1, 2009 through March 31, 2009 and 5.5% from April 1, 2009 through December 31, 2009 of covered payroll. The 2009 employer contribution of covered payroll which was the portion that was used to fund health care amounted to \$142,192 for 2009.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS (CONTINUED)

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

OPEB is financed through employer contributions and investment earnings thereon. PERS uses advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2009. The following significant actuarial assumptions were used in this valuation:

Funding Method

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

Assets Valuation Method

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

Investment Return

The investment assumption rate was 6.5%.

Active Employee Total Payroll

An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care Costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 3.0% for the next 6 years. In subsequent years (8 and beyond) health care cost were assumed to increase at 4.0% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2010 was 365,229. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$10.7 billion as of December 31, 2008. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. The last actuarial valuation was as of December 31, 2008.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

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, 2010 is as follows:

	December 31, <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2010</u>
Sick leave payable	\$ 154,162	\$ 21,726	\$ 11,080	\$ 164,808
Vacation pay	93,754	134,916	121,080	107,590
Compensatory time	<u>26,795</u>	<u>49,229</u>	<u>45,251</u>	<u>30,773</u>
Total	<u>\$ 274,711</u>	<u>\$ 205,871</u>	<u>\$ 177,411</u>	<u>\$ 303,171</u>

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 2010 and 2009. There have been no significant reductions in insurance coverage from 2009, and no insurance settlement has exceeded insurance coverage during the last five years.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

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, 2010.

Construction Commitments

At December 31, 2010, the District has construction commitments, on which work has not commenced, totalling approximately \$2,321,946 which will be funded by existing resources or the issuance of new revenue debt. All projects were current at December 31, 2010.

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, 2010, there are four such ordered areas with preliminary or updated cost estimates totaling \$5.1 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 \$3,493,598 at December 31, 2010 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,782,144 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, 2010 and 2009

NOTE 11 - SEGMENT INFORMATION

Significant financial data for the respective divisions of the December 31, 2010 and 2009 is as follows:

Statement of Net Assets

	<u>2010</u>			<u>2009</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets	\$ 6,157,145	\$ 9,021,539	\$ 15,178,684	\$ 10,056,277	\$ 10,240,289	\$ 20,296,566
Capital assets	52,243,589	66,852,863	119,096,452	47,809,166	62,735,183	110,544,349
Other assets	<u>6,811,566</u>	<u>4,087,198</u>	<u>10,898,764</u>	<u>6,665,410</u>	<u>4,300,583</u>	<u>10,965,993</u>
Total assets	<u>65,212,300</u>	<u>79,961,600</u>	<u>145,173,900</u>	<u>64,530,853</u>	<u>77,276,055</u>	<u>141,806,908</u>
Current liabilities	2,634,950	4,338,820	7,023,770	9,219,207	5,921,681	14,866,177
Long-term liabilities	<u>19,085,946</u>	<u>20,332,810</u>	<u>39,418,756</u>	<u>15,755,271</u>	<u>18,119,553</u>	<u>34,149,535</u>
Total liabilities	<u>21,720,896</u>	<u>24,721,630</u>	<u>46,442,526</u>	<u>24,974,478</u>	<u>24,041,234</u>	<u>49,015,712</u>
Invested in capital assets, net of related debt	35,003,483	46,474,003	81,477,486	29,356,706	44,216,165	73,572,871
Restricted	3,249,365	1,883,614	5,132,979	5,078,709	4,066,401	9,145,110
Unrestricted	<u>5,238,556</u>	<u>6,882,353</u>	<u>12,120,909</u>	<u>4,520,960</u>	<u>5,552,255</u>	<u>10,073,215</u>
Total net assets	<u>\$ 43,491,404</u>	<u>\$ 55,239,970</u>	<u>\$ 98,731,374</u>	<u>\$ 38,956,375</u>	<u>\$ 53,834,821</u>	<u>\$ 92,791,196</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 - SEGMENT INFORMATION (CONTINUED)

Statements of Revenues, Expenses, and Change in Net Assets

	<u>2010</u>			<u>2009</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Utility revenues	\$ 5,177,288	\$ 4,147,811	\$ 9,325,099	\$ 4,668,363	\$ 3,834,605	\$ 8,502,968
Other revenues	<u>399,447</u>	<u>308,774</u>	<u>708,226</u>	<u>400,964</u>	<u>293,233</u>	<u>694,197</u>
Total operating revenues	<u>5,576,735</u>	<u>4,456,590</u>	<u>10,033,325</u>	<u>5,069,327</u>	<u>4,127,838</u>	<u>9,197,165</u>
Depreciation and amortization	1,665,678	2,631,794	4,297,472	1,598,650	2,449,124	4,047,774
Other operating expenses	<u>3,499,778</u>	<u>2,710,365</u>	<u>6,210,143</u>	<u>3,435,911</u>	<u>2,793,938</u>	<u>6,229,849</u>
Total operating expenses	<u>5,165,456</u>	<u>5,342,159</u>	<u>10,507,615</u>	<u>5,034,561</u>	<u>5,243,062</u>	<u>10,277,623</u>
Operating income (loss)	<u>411,279</u>	<u>(885,569)</u>	<u>(474,200)</u>	<u>34,766</u>	<u>(1,115,224)</u>	<u>(1,080,458)</u>
Interest expense	(972,178)	(932,403)	(1,904,581)	(1,020,570)	(898,488)	(1,919,058)
Other nonoperating revenues	<u>448,723</u>	<u>244,048</u>	<u>692,771</u>	<u>448,739</u>	<u>306,348</u>	<u>755,087</u>
Total non-operating revenues (expenses)	(523,455)	(688,355)	(1,211,810)	(571,831)	(592,140)	(1,163,971)
Aid in construction	<u>4,647,205</u>	<u>2,979,073</u>	<u>7,626,278</u>	<u>567,628</u>	<u>1,852,018</u>	<u>2,419,646</u>
Change in net assets	4,535,029	1,405,149	5,940,178	30,563	144,654	175,217
Net assets:						
Beginning of year	<u>38,956,375</u>	<u>53,834,821</u>	<u>92,791,196</u>	<u>38,925,812</u>	<u>53,690,167</u>	<u>92,615,979</u>
End of year	<u>\$ 43,491,404</u>	<u>\$ 55,239,970</u>	<u>\$ 98,731,374</u>	<u>\$ 38,956,375</u>	<u>\$ 53,834,821</u>	<u>\$ 92,791,196</u>

Statement of Cash Flows

	<u>2010</u>			<u>2009</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net cash provided by (used in) operating activities	\$ 1,417,685	\$ 3,545,634	\$ 4,963,319	\$ 2,237,252	\$ 409,944	\$ 2,647,196
Capital and related financing	(5,854,073)	(4,888,718)	(10,742,791)	997,547	2,106,427	3,103,974
Investing	624,527	446,309	1,070,836	(845,246)	(506,979)	(1,352,225)
Cash at beginning of year	<u>5,614,715</u>	<u>4,997,876</u>	<u>10,612,591</u>	<u>3,225,162</u>	<u>2,988,484</u>	<u>6,213,646</u>
Cash at end of year	<u>\$ 1,802,854</u>	<u>\$ 4,101,101</u>	<u>\$ 5,903,955</u>	<u>\$ 5,614,715</u>	<u>\$ 4,997,876</u>	<u>\$ 10,612,591</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 12 - SUBSEQUENT EVENTS

The City of Rossford, Ohio joined the District effective January 1, 2011. This added over 2,300 customers and approximately 34 miles of water lines and 36 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 Rossford system.

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

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET TO ACTUAL
Year Ended December 31, 2010

	Original budget	Final budget	Actual	Variance with final budget favorable (unfavorable)
REVENUES				
Operating revenue:				
Utility revenues	\$ 8,450,000	\$ 9,061,460	\$ 9,325,099	\$ 263,639
Other operating revenues	6,950,000	309,000	708,226	399,226
Non-operating revenue – interest	-	897,670	700,659	(197,011)
Total revenues	15,400,000	10,268,130	10,733,984	465,854
EXPENSES				
Operating expenses:				
Operations and maintenance	12,700,000	10,468,566	6,221,773	4,246,793
Debt retirement	2,100,000	14,242,259	14,102,366	139,893
Total expenses	14,800,000	24,710,825	20,324,139	4,386,686
Operating loss	600,000	(14,442,695)	(9,590,155)	4,852,540
RECONCILIATION TO CHANGE IN NET ASSETS				
Aid on construction:				
Grants	5,550,000	5,550,000	2,928,127	(2,621,873)
System development fees	200,000	200,000	297,050	97,050
Other	-	-	1,383,375	1,383,375
Antidegradation credits	50,000	50,000	31,520	(18,480)
Special assessment principal	5,143,916	5,143,916	2,986,206	(2,157,710)
Total aid in construction	10,943,916	10,943,916	7,626,278	(3,317,638)
CHANGE IN NET ASSETS	\$ 11,543,916	\$ (3,498,779)	\$ (1,963,877)	\$ 1,534,902

Note to Supplementary Information

The District's budget is prepared on the basis of accounting principles generally accepted in the United States of America, the same basis on which its financial statements are prepared. The District is required by law to budget its funds, through adoption of an operating budget by July of each year for the following year. The operating budget includes estimates for total revenues, 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 2010 financial statements is as follows:

Change in net assets	\$ (1,963,877)
Depreciation	(4,297,472)
Principal payments on debt	12,201,527
Change in net assets	\$ 5,940,178

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2010

ASSETS	Water	Sewer	Eliminations	Combined
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 8,151	\$ 2,103,703	\$ -	\$ 2,111,854
Restricted	1,794,703	1,997,398	-	3,792,101
Investments:				
Unrestricted	411,184	3,150,002	-	3,561,186
Restricted	1,504,138	-	-	1,504,138
Accounts receivable – trade	1,404,021	1,301,825	-	2,705,846
Current portion of special assessments	594,764	315,872	-	910,636
Inventory	414,768	120,684	-	535,452
Prepaid expenses	25,416	32,055	-	57,471
	<u>6,157,145</u>	<u>9,021,539</u>	<u>-</u>	<u>15,178,684</u>
Total current assets				
NONCURRENT ASSETS				
Capital assets:				
Sewer and waterlines	59,745,530	88,485,435	-	148,230,965
Buildings, pumps and life stations	5,626,903	11,921,940	-	17,548,843
Machinery and equipment	2,410,526	1,967,825	-	4,378,351
Vehicles	532,442	1,101,515	-	1,633,957
Furniture and fixtures	96,088	155,448	-	251,536
Computer equipment	197,740	539,994	-	737,734
Improvements – Oregon waste water treatment plant	2,389,277	3,185,486	-	5,574,763
	<u>70,998,506</u>	<u>107,357,643</u>	<u>-</u>	<u>178,356,149</u>
Total depreciable capital assets				
Accumulated depreciation	<u>(25,485,954)</u>	<u>(46,471,236)</u>	<u>-</u>	<u>(71,957,190)</u>
Net depreciable capital assets	45,512,552	60,886,407	-	106,398,959
Land	42,083	389,079	-	431,162
Easements	8	4,576	-	4,584
Construction in process	6,688,946	5,572,801	-	12,261,747
	<u>52,243,589</u>	<u>66,852,863</u>	<u>-</u>	<u>119,096,452</u>
Net capital assets				
OTHER ASSETS				
Special assessments, less current portion	6,439,553	3,639,177	-	10,078,730
Reserve with county commissioners	36,657	221,694	-	258,351
Deferred loan costs, net of accumulated amortization of \$54,995	36,918	-	-	36,918
Miscellaneous	298,438	374,571	(148,244)	524,765
	<u>6,811,566</u>	<u>4,235,442</u>	<u>(148,244)</u>	<u>10,898,764</u>
Total other assets				
Total noncurrent assets	<u>59,055,155</u>	<u>71,088,305</u>	<u>(148,244)</u>	<u>129,995,216</u>
TOTAL ASSETS	<u>\$ 65,212,300</u>	<u>\$ 80,109,844</u>	<u>\$ (148,244)</u>	<u>\$ 145,173,900</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2010

LIABILITIES AND NET ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 1,587,481	\$ 2,085,797	\$ -	\$ 3,673,278
Accounts payable – trade	465,663	1,630,960	(148,244)	1,948,379
Accrued payroll and payroll taxes	104,193	109,805	-	213,998
Accrued interest payable	236,775	265,946	-	502,721
Amounts due others	240,838	444,556	-	685,394
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,634,950	4,537,064	(148,244)	7,023,770
LONG-TERM DEBT, less current portion				
Compensated absences payable	18,938,908	20,176,677	-	39,115,585
	147,038	156,133	-	303,171
	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term liabilities	19,085,946	20,332,810	-	39,418,756
TOTAL LIABILITIES	<hr/>	<hr/>	<hr/>	<hr/>
	21,720,896	24,869,874	(148,244)	46,442,526
NET ASSETS				
Invested in capital assets, net of related debt	35,003,483	46,474,003	-	81,477,486
Restricted	3,249,365	1,883,614	-	5,132,979
Unrestricted	5,238,556	6,882,353	-	12,120,909
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 43,491,404	\$ 55,239,970	\$ -	\$ 98,731,374

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2009

ASSETS	Water	Sewer	Eliminations	Combined
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 1,744,733	\$ 862,283	\$ -	\$ 2,607,016
Restricted	3,869,982	4,135,593	-	8,005,575
Investments:				
Unrestricted	849,070	3,335,296	-	4,184,366
Restricted	1,251,135	-	-	1,251,135
Accounts receivable – trade	1,417,012	1,339,675	-	2,756,687
Grants receivable	-	90,620	-	90,620
Current portion of special assessments	559,315	313,389	-	872,704
Inventory	331,830	127,467	-	459,297
Prepaid expenses	33,200	35,966	-	69,166
	<u>10,056,277</u>	<u>10,240,289</u>	<u>-</u>	<u>20,296,566</u>
NONCURRENT ASSETS				
Capital assets:				
Sewer and waterlines	57,686,348	86,446,930	-	144,133,278
Buildings, pumps and life stations	3,874,661	9,730,594	-	13,605,255
Machinery and equipment	2,026,712	1,910,505	-	3,937,217
Vehicles	541,483	1,115,074	-	1,656,557
Furniture and fixtures	95,545	154,859	-	250,404
Computer equipment	252,922	665,602	-	918,524
Improvements – Oregon waste water treatment plant	2,389,277	3,185,486	-	5,574,763
	<u>66,866,948</u>	<u>103,209,050</u>	<u>-</u>	<u>170,075,998</u>
Accumulated depreciation	<u>(23,982,626)</u>	<u>(44,037,289)</u>	<u>-</u>	<u>(68,019,915)</u>
Net depreciable capital assets	42,884,322	59,171,761	-	102,056,083
Land	42,083	389,079	-	431,162
Construction in process	4,882,761	3,174,343	-	8,057,104
	<u>47,809,166</u>	<u>62,735,183</u>	<u>-</u>	<u>110,544,349</u>
OTHER ASSETS				
Special assessments, less current portion	6,327,037	3,843,225	-	10,170,262
Reserve with county commissioners	36,657	221,694	-	258,351
Deferred loan costs, net of accumulated amortization of \$51,613	40,300	-	-	40,300
Miscellaneous	261,416	835,664	(600,000)	497,080
	<u>6,665,410</u>	<u>4,900,583</u>	<u>(600,000)</u>	<u>10,965,993</u>
Total other assets	<u>6,665,410</u>	<u>4,900,583</u>	<u>(600,000)</u>	<u>10,965,993</u>
Total noncurrent assets	<u>54,474,576</u>	<u>67,635,766</u>	<u>(600,000)</u>	<u>121,510,342</u>
TOTAL ASSETS	<u>\$ 64,530,853</u>	<u>\$ 77,876,055</u>	<u>\$ (600,000)</u>	<u>\$ 141,806,908</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2009

LIABILITIES AND NET ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 7,816,198	\$ 4,465,866	\$ -	\$ 12,282,064
Accounts payable – trade	1,114,547	489,229	(600,000)	1,003,776
Accrued payroll and payroll taxes	93,081	101,022	-	194,103
Accrued interest payable	425,872	353,320	-	779,192
Amounts due others	245,889	361,153	-	607,042
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	9,695,587	5,770,590	(600,000)	14,866,177
LONG-TERM DEBT, less current portion				
Compensated absences payable	15,755,271	18,119,553	-	33,874,824
	123,620	151,091	-	274,711
	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term liabilities	15,878,891	18,270,644	-	34,149,535
TOTAL LIABILITIES	<hr/>	<hr/>	<hr/>	<hr/>
	25,574,478	24,041,234	(600,000)	49,015,712
NET ASSETS				
Invested in capital assets, net of related debt	29,356,706	44,216,165	-	73,572,871
Restricted	5,078,709	4,066,401	-	9,145,110
Unrestricted	4,520,960	5,552,255	-	10,073,215
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 38,956,375	\$ 53,834,821	\$ -	\$ 92,791,196

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INFORMATION BY DIVISION
Year Ended December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Utility revenue	\$ 5,177,288	\$ 4,147,811	\$ -	\$ 9,325,099
Fees and permits	137,747	64,867	-	202,614
Contract services	89,743	147,118	-	236,861
Other operating revenues	171,957	96,794	-	268,751
	<u>5,576,735</u>	<u>4,456,590</u>	<u>-</u>	<u>10,033,325</u>
OPERATING EXPENSES				
Depreciation and amortization	1,665,678	2,631,794	-	4,297,472
Labor	961,586	1,057,390	-	2,018,976
Employee benefits	418,914	444,305	-	863,219
Professional services	196,036	326,105	-	522,141
Purchased water and sewer treatment	1,198,861	160,628	-	1,359,489
Materials and supplies	390,202	299,495	-	689,697
Utilities	146,801	226,847	-	373,648
Rent	2,222	-	-	2,222
Other	185,156	195,595	-	380,751
	<u>5,165,456</u>	<u>5,342,159</u>	<u>-</u>	<u>10,507,615</u>
Total operating revenues	<u>5,576,735</u>	<u>4,456,590</u>	<u>-</u>	<u>10,033,325</u>
Total operating expenses	<u>5,165,456</u>	<u>5,342,159</u>	<u>-</u>	<u>10,507,615</u>
Operating income (loss)	<u>411,279</u>	<u>(885,569)</u>	<u>-</u>	<u>(474,290)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	439,644	261,015	-	700,659
Interest expense	(972,178)	(932,403)	-	(1,904,581)
Other income	9,079	(16,967)	-	(7,888)
	<u>(523,455)</u>	<u>(688,355)</u>	<u>-</u>	<u>(1,211,810)</u>
Total nonoperating revenues (expenses)	<u>(523,455)</u>	<u>(688,355)</u>	<u>-</u>	<u>(1,211,810)</u>
AID IN CONSTRUCTION				
	<u>4,647,205</u>	<u>2,979,073</u>	<u>-</u>	<u>7,626,278</u>
Change in net assets	<u>4,535,029</u>	<u>1,405,149</u>	<u>-</u>	<u>5,940,178</u>
NET ASSETS				
Beginning of year	<u>38,956,375</u>	<u>53,834,821</u>	<u>-</u>	<u>92,791,196</u>
End of year	<u>\$ 43,491,404</u>	<u>\$ 55,239,970</u>	<u>\$ -</u>	<u>\$ 98,731,374</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INFORMATION BY DIVISION
Year Ended December 31, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Utility revenue	\$ 4,668,363	\$ 3,834,605	\$ -	\$ 8,502,968
Fees and permits	134,770	42,028	-	176,798
Contract services	109,092	165,295	-	274,387
Other operating revenues	157,102	85,910	-	243,012
	<u>5,069,327</u>	<u>4,127,838</u>	<u>-</u>	<u>9,197,165</u>
OPERATING EXPENSES				
Depreciation and amortization	1,598,650	2,449,124	-	4,047,774
Labor	957,031	1,088,978	-	2,046,009
Employee benefits	429,346	472,491	-	901,837
Professional services	234,496	243,875	-	478,371
Purchased water and sewer treatment	1,103,187	153,927	-	1,257,114
Materials and supplies	324,373	330,130	-	654,503
Utilities	159,109	236,985	-	396,094
Rent	2,382	-	-	2,382
Other	225,987	267,552	-	493,539
	<u>5,034,561</u>	<u>5,243,062</u>	<u>-</u>	<u>10,277,623</u>
Total operating expenses	<u>5,034,561</u>	<u>5,243,062</u>	<u>-</u>	<u>10,277,623</u>
Operating income (loss)	<u>34,766</u>	<u>(1,115,224)</u>	<u>-</u>	<u>(1,080,458)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	463,868	305,757	-	769,625
Interest expense	(1,020,570)	(898,488)	-	(1,919,058)
Other income	(15,129)	591	-	(14,538)
	<u>(571,831)</u>	<u>(592,140)</u>	<u>-</u>	<u>(1,163,971)</u>
Total nonoperating revenues (expenses)	<u>(571,831)</u>	<u>(592,140)</u>	<u>-</u>	<u>(1,163,971)</u>
AID IN CONSTRUCTION				
	<u>567,628</u>	<u>1,852,018</u>	<u>-</u>	<u>2,419,646</u>
Change in net assets	30,563	144,654	-	175,217
NET ASSETS				
Beginning of year	<u>38,925,812</u>	<u>53,690,167</u>	<u>-</u>	<u>92,615,979</u>
End of year	<u>\$ 38,956,375</u>	<u>\$ 53,834,821</u>	<u>\$ -</u>	<u>\$ 92,791,196</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS
INFORMATION BY DIVISION
Year Ended December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 411,279	\$ (885,569)		\$ (474,290)
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	1,665,678	2,631,794		4,297,472
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	12,991	37,850	148,244	199,085
Grant receivable	-	90,620		90,620
Inventory	(82,938)	6,783		(76,155)
Other assets	53,498	430,239		483,737
Accounts payable – trade	(648,884)	1,141,731	(148,244)	344,603
Accrued payroll and payroll taxes	11,112	8,783	-	19,895
Accounts due to others	(5,051)	83,403	-	78,352
Net cash provided by operating activities	<u>1,417,685</u>	<u>3,545,634</u>	<u>-</u>	<u>4,963,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	439,644	261,015	-	700,659
Proceeds on sale of investments	950,445	2,290,641	-	3,241,086
Purchases of investments	(765,562)	(2,105,347)	-	(2,870,909)
Net cash used in investing activities	<u>624,527</u>	<u>446,309</u>	<u>-</u>	<u>1,070,836</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	4,647,205	2,979,073	-	7,626,278
Acquisition and construction of capital assets	(6,147,719)	(6,731,320)	-	(12,879,039)
Proceeds from sale of assets	761	4,686	-	5,447
Proceeds from issuance of long-term debt	4,803,339	4,101,353	-	8,904,692
Repayment of long-term debt	(7,848,419)	(4,424,298)	-	(12,272,717)
Collections on special assessments	(147,965)	201,565	-	53,600
Interest paid	(1,161,275)	(1,019,777)	-	(2,181,052)
Net cash provided by financing activities	<u>(5,854,073)</u>	<u>(4,888,718)</u>	<u>-</u>	<u>(10,742,791)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,811,861)	(896,775)	-	(4,708,636)
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>5,614,715</u>	<u>4,997,876</u>	<u>-</u>	<u>10,612,591</u>
End of year	<u>\$ 1,802,854</u>	<u>\$ 4,101,101</u>	<u>\$ -</u>	<u>\$ 5,903,955</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS
INFORMATION BY DIVISION
Year Ended December 31, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 34,766	\$ (1,115,224)	\$ -	\$ (1,080,458)
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	1,598,650	2,449,124	-	4,047,774
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	(386,240)	(16,838)	600,000	196,922
Inventory	(4,672)	(17,315)	-	(21,987)
Other assets	24,369	(484,089)	-	(459,720)
Accounts payable – trade	853,246	17,522	(600,000)	270,768
Accrued payroll and payroll taxes	(50,470)	(49,656)	-	(100,126)
Accounts due to others	167,603	(373,580)	-	(205,977)
Net cash provided by operating activities	<u>2,237,252</u>	<u>409,944</u>	<u>-</u>	<u>2,647,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	463,868	305,757	-	769,625
Proceeds on sale of investments	1,387,751	2,165,309	-	3,553,060
Purchases of investments	<u>(2,696,865)</u>	<u>(2,978,045)</u>	<u>-</u>	<u>(5,674,910)</u>
Net cash used in investing activities	<u>(845,246)</u>	<u>(506,979)</u>	<u>-</u>	<u>(1,352,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	(613,803)	3,225,827	-	2,612,024
Acquisition and construction of capital assets	(5,782,858)	(3,323,050)	-	(9,105,908)
Proceeds from sale of assets	6,553	8,677	-	15,230
Proceeds from issuance of long-term debt	7,606,624	5,856,517	-	13,463,141
Repayment of long-term debt	(956,016)	(3,335,971)	-	(4,291,987)
Collections on special assessments	1,600,541	449,553	-	2,050,094
Interest paid	<u>(863,494)</u>	<u>(775,126)</u>	<u>-</u>	<u>(1,638,620)</u>
Net cash provided by financing activities	<u>997,547</u>	<u>2,106,427</u>	<u>-</u>	<u>3,103,974</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,389,553</u>	<u>2,009,392</u>	<u>-</u>	<u>4,398,945</u>
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>3,225,162</u>	<u>2,988,484</u>	<u>-</u>	<u>6,213,646</u>
End of year	<u>\$ 5,614,715</u>	<u>\$ 4,997,876</u>	<u>\$ -</u>	<u>\$ 10,612,591</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	S2
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time</p>	
Revenue Capacity	S10
<p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its water and sewer sales</p>	
Debt Capacity	S16
<p>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</p>	
Demographic and Economic Information	S21
<p>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</p>	
Operating Information	S24
<p>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</p>	
Sources	
<p>Unless stated otherwise, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.</p>	



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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in Capital Assets, Net of Related Debt	\$81,477	\$73,573	\$73,491	\$74,830	\$70,996	\$66,996	\$61,550	\$59,024	\$56,752
Restricted	5,133	9,145	5,001	6,486	3,809	2,896	2,500	2,307	3,443
Unrestricted	12,248	10,073	14,124	8,823	14,838	16,981	19,564	17,886	12,894
Total Net Assets	\$98,858	\$92,791	\$92,616	\$90,139	\$89,643	\$86,873	\$83,614	\$79,217	\$73,089

Data for 2001 not available



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

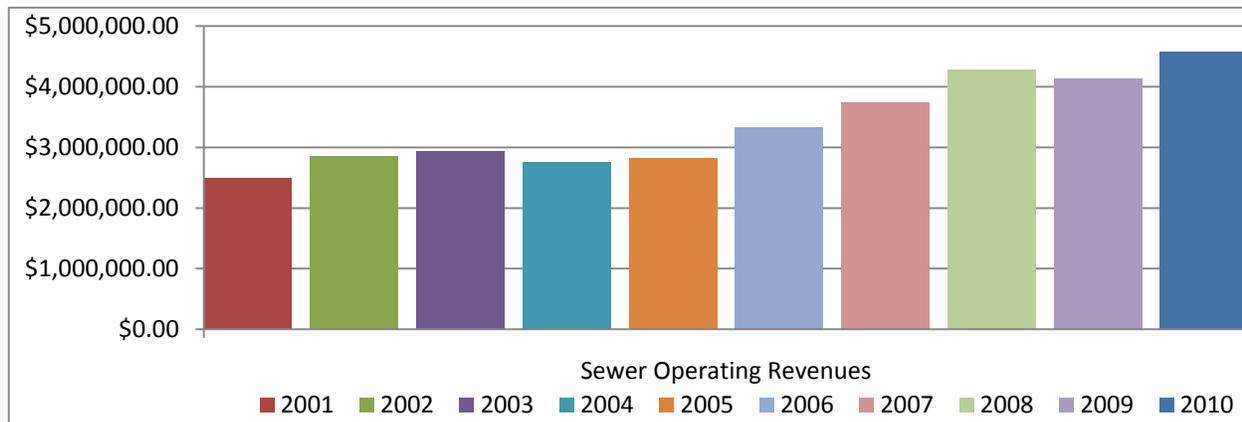
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Revenue	\$10,160	\$9,197	\$8,586	\$7,415	\$6,524	\$5,811	\$5,395	\$5,221	\$4,953
Operating Expenses	\$10,507	\$10,278	\$10,221	\$9,373	\$8,759	\$7,347	\$6,948	\$6,136	\$5,682
Total Net Expense	\$(347)	\$(1,081)	\$(1,635)	\$(1,958)	\$(2,235)	\$(1,536)	\$(1,553)	\$(915)	\$(729)
Other Changes In Net Assets									
Nonoperating Revenues (Expenses)	\$(1,212)	\$(1,164)	\$(530)	\$(132)	\$(183)	\$(335)	\$(98)	\$(497)	\$(261)
Aid In Construction	\$7,626	\$2,420	\$4,642	\$2,586	\$5,187	\$5,130	\$6,048	\$7,541	\$5,710
Total Other Changes In Net Assets	\$6,414	\$1,256	\$4,112	\$2,454	\$5,004	\$4,795	\$5,950	\$7,044	\$5,449
Change In Net Assets	\$6,067	\$175	\$2,477	\$496	\$2,769	\$3,259	\$4,394	\$6,129	\$4,720

Data for year 2001 not available



**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>
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%
2003	2,626,460	132,897	123,597	47,859	2,930,913	2.3%
2002	2,650,090	91,740	78,463	43,366	2,863,659	14.5%
2001	2,343,220	60,363	87,641	9,869	2,500,093	3.4%

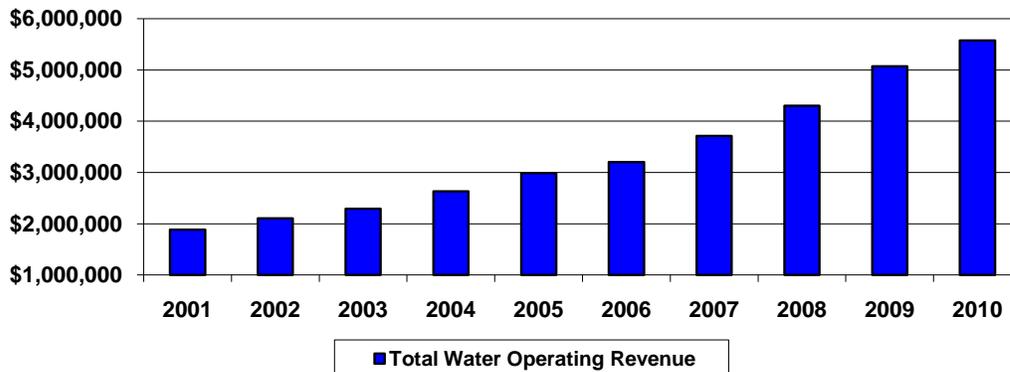


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Fees & Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
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%
2003	1,977,300	244,012	39,166	29,090	2,289,568	8.6%
2002	1,848,210	193,367	21,059	45,409	2,108,045	11.7%
2001	1,686,081	113,600	24,104	62,971	1,886,756	8.4%

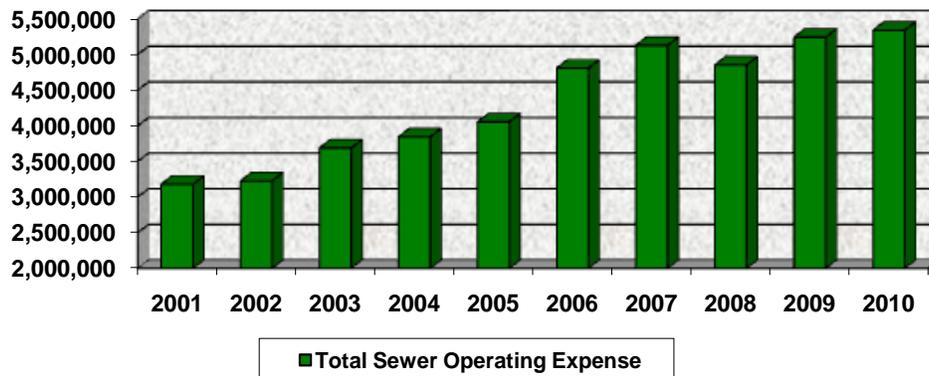


Source: District accounting records



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>
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%
2003	823,718	291,562	224,522	247,774	162,098	1,765,517	170,231	3,688,422	14.3%
2002	638,814	271,917	335,408	231,182	142,800	1,501,058	104,867	3,225,746	1.4%
2001	632,814	243,299	312,339	238,137	141,835	1,437,583	174,405	3,180,412	2.5%

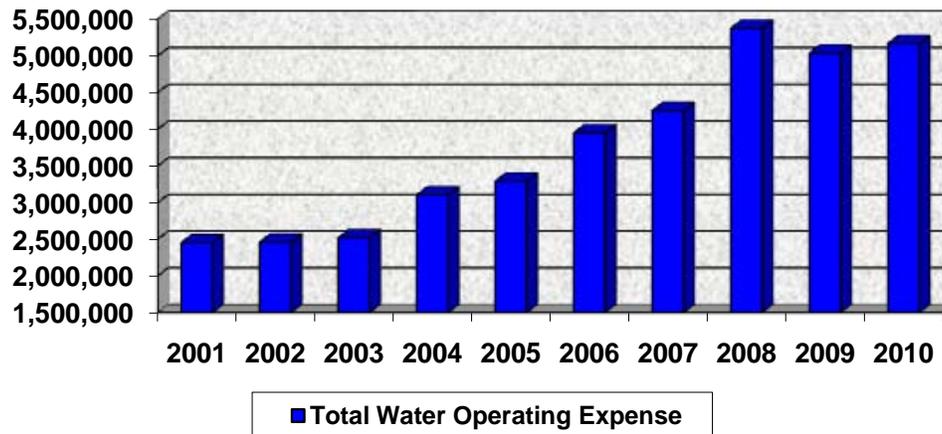


Source: District accounting records



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>
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	324,373	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%
2003	479,754	183,524	120,011	558,713	158,696	112,248	836,178	69,899	2,519,023	2.4%
2002	392,709	169,913	150,837	528,894	198,582	111,029	842,693	65,432	2,460,089	.3%
2001	397,605	149,828	107,408	599,660	226,296	119,404	793,319	58,618	2,452,138	4.3%



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>
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	0	2,946,857
2004	329,603	2,438,868	275,017 (2)	3,043,488
2003	334,772	4,501,078	0	4,835,850
2002	272,677	3,826,779	0	4,099,456
2001	305,337	0	0	305,337

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

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

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
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
2003	304,945	3,040,090	0	3,345,035
2002	356,621	1,883,509	0	2,240,130
2001	363,547	0	0	363,547

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

Source: District accounting records



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

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Collection Only</u>	<u>Collection & Treatment</u>
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
2003	8.52	17.05	9.85	22.37
2002	8.11	16.24	9.38	21.30
2001	7.73	15.47	8.94	20.29

(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>	
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
2003	5.76	11.52	3.99
2002	5.14	10.28	3.56
2001	4.59	9.18	3.18

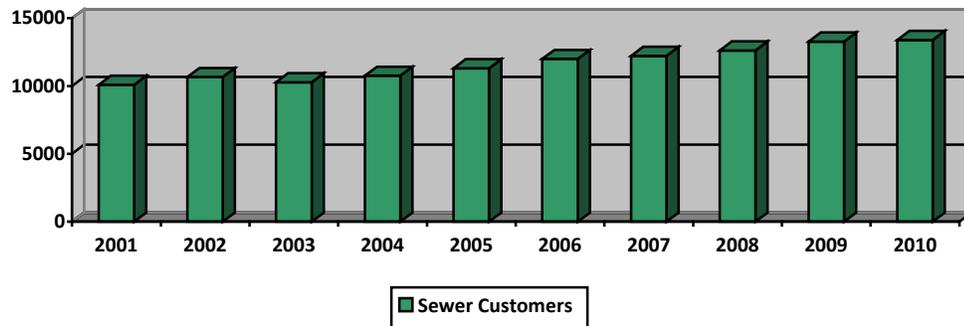
(1) Per 1,000 cubic feet of water consumption

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>Total Annual Consumption (000's/gal.)</u>
2001	10,091	3,816	1,392,858
2002	10,664	3,889	1,419,634
2003	10,283	4,006	1,462,233(a)
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500
2006	11,999	3,784	1,381,254(b)
2007	12,224	3,632	1,325,558
2008	12,626	3,701	1,350,813
2009	13,278	3,584	1,308,307
2010	13,394	3,657	1,334,650



a) In 2003 as part of a legal settlement, approximately 600 customers were given to the City of Perrysburg.

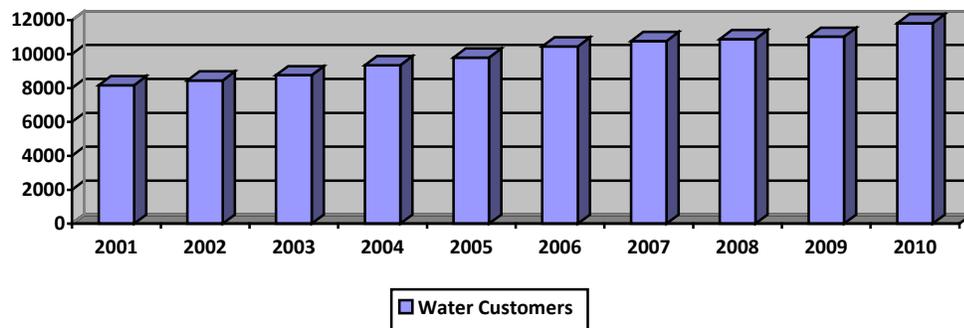
b) District acquired the Villages of Bardstown and Weston adding about 550 customers.

Source: District accounting records



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

<u>Year</u>	<u>Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
2001	8,170	4,116	1,502,246
2002	8,449	3,979	1,452,430
2003	8,756	4,059	1,481,478
2004	9,353	3,966	1,447,600
2005	9,799	3,935	1,436,400
2006	10,455	3,891	1,420,874a)
2007	10,775	4,133	1,508,418
2008	10,886	3,949	1,441,658
2009	11,025	3,434	1,253,238
2010	11,825	3,640	1,328,774



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

Source: District accounting records



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

Fiscal year 2010			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. First Solar	60,656	\$101,742	2.45%
2. Chrysler	48,689	81,290	1.96
3. Charter Steel	39,608	65,895	1.59
4. Pre Finish Metals	37,410	62,523	1.51
5. Friendly Village I and II MHP	28,351	47,671	1.15
6. Norplas	19,209	40,996	.99
7. Perry Lake Village	15,512	19,226	.46
8. Cintas	13,180	22,108	.53
9. Walnut Hills Mobile Home Park	12,961	21,803	.53
10. East Pointe On The Mall Apts	11,765	20,095	.48
Total	287,341	\$483,349	11.65%

Fiscal year 2001			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Prefinished Metals	73,932	\$88,529	3.54%
2. Alpha Tube	48,538	58,044	2.32
3. Friendly Village I and II MHP	47,019	55,219	2.21
4. Chrysler	41,963	50,161	2.00
5. Walnut Hills Mobile Home Park	35,318	42,081	1.68
6. Conrail	20,344	24,365	.97
7. Perry Lake Village	20,277	24,973	.99
8. Troy Villa Mobile Home Park	15,388	18,470	.74
9. Holiday Inn Perrysburg Twp	15,154	18,265	.73
10. Magna Norplas	<u>15,080</u>	<u>16,218</u>	<u>.65</u>
Total	333,013	\$396,324	15.83%

Source: District accounting records

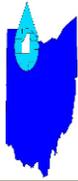


**NORTHWESTERN WATER AND SEWER DISTRICT
TEN LARGEST WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Customer</u>	Fiscal year 2010		% of Total System Revenue
	Total Billed Consumption (000's/gal.)	Total Billed	
1. First Solar	76,654	\$ 108,416	2.09%
2. Chrysler	48,689	77,173	1.49
3. Prefinished Metals	42,640	58,911	1.14
4. Charter Steel	37,731	53,747	1.04
5. Norplas	31,242	39,732	.77
6. Friendly Village I and II MHP	28,351	46,809	.90
7. Jones Hamilton	22,035	32,647	.63
8. Perry Lake Village	15,512	16,449	.32
9. Cintas	13,833	20,228	.39
10. Walnut Hills Mobile Home Park	<u>13,029</u>	<u>20,119</u>	<u>.39</u>
TOTAL	329,716	\$474,231	9.16%

<u>Customer</u>	Fiscal year 2001		% of Total System Revenue
	Total Billed Consumption (000's/gal.)	Total Billed	
1. Hunt Wesson	239,532	\$103,795	6.17%
2. Chrysler	101,100	46,050	2.74
3. Prefinished Metals	80,395	35,235	2.09
4. Alpha Tube	48,538	21,357	1.27
5. Friendly Village I and II MHP	47,019	23,739	1.41
6. Commercial Aluminum Cookware	34,767	15,680	.93
7. Walnut Hills Mobile Home Park	34,715	15,309	.91
8. Conrail	20,809	9,586	.57
9. Perry Lake Village	20,277	9,814	.58
10. Troy Villa Mobile Home Park	<u>15,388</u>	<u>8,117</u>	<u>.48</u>
TOTAL	642,540	\$288,683	17.15%

Source: District accounting record



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

Debt By Type In Thousands	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue Bond Issues										
\$1,395 Series 1996	\$935	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
\$4,235 Series 2002 (1)		3,835	3,435	3,035	2,635	2,235	2,055	1,875	1,695	1,515
\$2,165 Series 2004B				2,165	2,100	2,025	1,940	1,892	1,804	1,712
\$1,200 Series 2005A					1,200	1,160	1,120	1,070	1,020	1,018
\$6,910 Series 2008								6,910	6,680	6,440
\$3,550 Series 2009 BAN									3,550	--
\$2,350 Series 2010										2,350
Total Revenue Bonds	935	3,835	3,435	5,200	5,935	5,420	5,115	11,747	14,749	13,035
Special Assessment Issues										
\$277 Series 1996	208	194	180	166	152	139	125	111	97	83
\$360 Series 1998	305	285	270	250	230	215	195	175	160	140
\$500 Series 1999	470	455	440	420	400	380	360	340	315	290
\$175 Series 2000	170	160	150	145	135	125	115	110	100	90
\$1,195 Series 2002		1,195	1,180	1,145	1,110	1,070	1,025	975	925	870
\$1,245 Series 2003			1,245	1,215	1,170	1,125	1,080	1,035	985	935
\$2,000 Series 2004A				2,000	1,945	1,870	1,795	1,715	1,635	1,555
\$1,010 Series 2006						1,010	990	955	920	880
\$2,205 Series 2008								2,205	2,155	2,133
\$6,580 Series 2009 BAN									6,580	--
\$2,350 Series 2010										2,350
Total SA Bonds	1,153	2,289	3,465	5,341	5,142	5,934	5,685	7,621	13,872	9,326
U.S. Dept of Agriculture Ohio Water Development Authority.	279	276	1,195	4,077	5,573	5,440	5,298	5,151	7,399	7,219
Ohio Public Works Commission	10,404	9,989	9,550	9,256	9,090	10,181	9,491	11,287	9,004	10,805
Other	455	417	556	731	872	787	812	738	665	611
	<u>511</u>	<u>468</u>	<u>423</u>	<u>310</u>	<u>323</u>	<u>333</u>	<u>331</u>	<u>328</u>	<u>325</u>	<u>1,793</u>
Total All Debt	\$15,737	\$17,274	\$18,624	\$24,915	\$26,935	\$28,095	26,732	\$36,872	\$46,014	\$42,789
Number of Customer Accounts	18,261	19,113	19,039	20,111	21,112	22,454	22,999	23,512	24,614	25,219
Outstanding Debt Per Customer Account	\$862	\$904	\$978	\$1,239	\$1,276	\$1,251	\$1,162	\$1,568	\$1,869	\$1,696

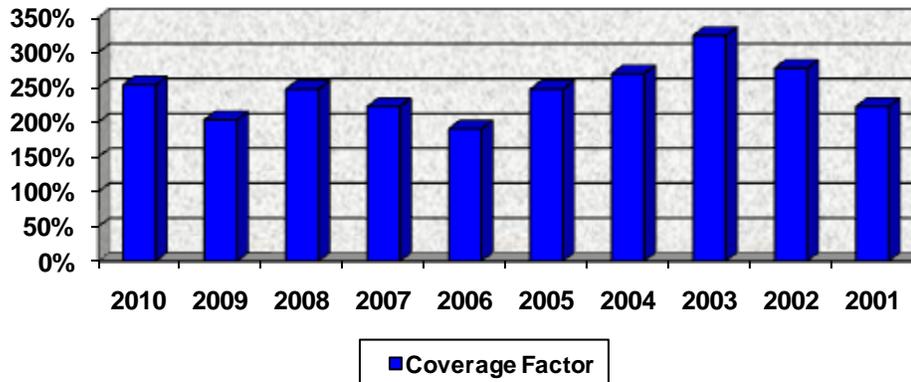
(1) The Series 1996 Bonds were refunded on 3/27/02 and were replaced by the Series 2002 Bonds

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>
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%
2003	7,031,171	3,525,989	3,505,182	1,082,625	324%
2002	6,831,468	3,338,421	3,174,828	1,144,255	277%
2001	5,854,707	3,319,320	2,535,387	861,884	222%



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

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Special Assessments Collections</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor</u>
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%
2003	\$ 956,567	\$ 871,841	110%
2002	\$ 758,409	\$ 605,184	125%
2001	\$ 729,115	\$ 654,335	111%

(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, 2010**

Year	Revenue Debt			Special Assessment Debt			% of Debt Service	
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes	Totals	Remaining
2011	473,041	40,022	1,828,139	74,626	25,285	544,283	2,985,396	90.72%
2012	473,041	40,022	820,113	74,626	25,285	533,984	1,967,071	84.61%
2013	473,041	40,022	736,672	74,626	25,285	541,154	1,890,800	78.74%
2014	473,041	22,724	731,792	74,626	25,285	537,047	1,864,515	72.95%
2015	393,943	22,724	735,537	74,626	25,285	532,743	1,784,858	67.40%
2016	393,943	22,724	733,907	74,626	25,285	531,236	1,781,721	61.87%
2017	393,943	14,058	734,471	74,626	25,285	531,793	1,774,176	56.36%
2018	393,943	5,392	735,285	74,626	25,285	732,361	1,966,892	50.25%
2019	393,943	5,392	735,396	74,626	0	509,585	1,718,942	44.91%
2020	393,943	5,392	733,939	74,626	0	477,821	1,685,721	39.67%
2021	162,757	5,392	731,285	37,313	0	468,395	1,405,142	35.30%
2022	162,757	5,392	738,181	0	0	466,264	1,372,594	31.04%
2023	162,757	5,392	732,905	0	0	319,933	1,220,987	27.25%
2024	130,239	5,392	733,146	0	0	248,607	1,117,384	23.78%
2025-29	488,798	3,125	2,572,340	0	0	903,460	3,967,723	11.45%
2030-34	307,268	0	792,151	0	0	671,622	1,771,041	5.95%
2035-39	197,068	0	244,379	0	0	629,169	1,070,616	2.62%
2040-44	0	0	214,543	0	0	629,255	843,798	0.00%
Totals	\$5,867,466	\$243,165	\$15,284,181	\$783,573	\$202,280	\$9,808,712	\$32,189,377	

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, 2010**

Year	Revenue Debt			Special Assessment Debt		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2011	261,393	9,706	1,188,692	558,145	645,906	2,663,842	91.05%
2012	289,077	9,706	934,404	558,145	641,128	2,432,460	82.87%
2013	289,077	9,706	715,955	558,145	642,086	2,214,969	75.42%
2014	289,077	9,706	706,252	558,145	639,102	2,202,282	68.02%
2015	289,077	9,706	697,088	558,145	644,144	2,198,160	60.63%
2016	289,077	9,706	689,981	311,498	643,993	1,944,255	54.10%
2017	289,077	9,706	667,470	64,851	624,953	1,656,057	48.53%
2018	289,077	9,706	664,078	64,851	628,636	1,656,348	42.96%
2019	263,912	9,706	655,188	64,851	600,095	1,593,752	37.61%
2020	240,748	9,706	650,382	64,851	585,099	1,550,786	32.39%
2021	179,448	9,706	634,890	32,426	588,218	1,444,688	27.54%
2022	179,445	9,706	512,668	0	588,394	1,290,213	23.20%
2023	179,445	9,706	480,029	0	578,752	1,247,932	19.01%
2024	87,983	9,706	512,593	0	557,184	1,167,466	15.08%
2025-29	280,174	4,853	1,907,988	0	1,606,024	3,799,039	2.31%
2030-34	83,051	0	445,373	0	159,526	687,950	0.00%
Totals	\$3,779,138	140,737	12,063,031	3,394,053	10,373,240	29,750,199	

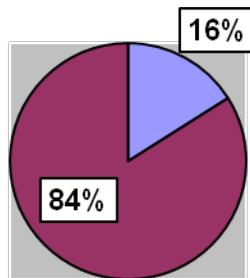
OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records

NONAGRICULTURAL EMPLOYMENT
 Toledo Primary Metropolitan Statistical Area
 (includes Wood County)
 At December 31, 2010

	<u>Employment</u>
Goods-Producing Industries	46,900
Natural Resources, Mining and Construction	10,800
Manufacturing	36,100
Durable Goods	24,800
Transportation Equipment	7,000
Service-Providing Industries	248,000
Trade, Transportation and Utilities	57,600
Information	3,100
Financial Activities	10,900
Professional and Business Services	29,100
Educational and Health Services	53,200
Leisure and Hospitality	30,300
Other Services	13,700
Government	50,100



Goods Producing ■ **Service Providing**

Source: Ohio Bureau of Employment Services, Labor Market Review

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

<u>Employer</u>	2010			2001		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>
Bowling Green State University	5,361	1	9.18	6,432	1	10.05
Owens Community College	1,525	2	2.61	1,600	3	2.50
Wood County	1,222	3	2.09	1,109	6	1.73
First Solar	1,100	4	1.88	-	-	
Wood County Hospital	900	5	1.54	-	-	
Diamler Chrysler	850	6	1.46	2,010	2	3.14
Walgreens	760	7	1.30	-	-	
Norplas (Magna)	650	8	1.11	-	-	
NFO Market Research	625	9	1.07	1,006	7	1.57
Cooper Standard Automotive	565	10	.97	1,114	5	1.74
Bennett Enterprises	-	-		1,500	4	2.34
Pilkington (LOF)	-	-		750	8	1.17
Great Lakes Window	-	-		600	9	.95
GEM Rudolph-Libbe Companies	-	-		500	10	.78
Totals	13,558		23.22%	16,621		25.97%
Total Employment Within Wood County	58,400			64,000		

Source: Wood County Auditor

WOOD COUNTY OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

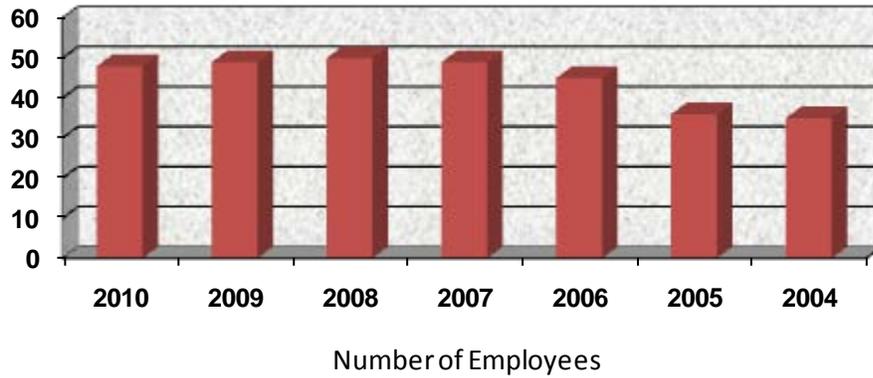
<u>Year</u>	<u>Population (Estimated)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2010	125,488	\$4,434,871,408	\$35,341	9.10%
2009	125,380	\$3,985,816,000	\$31,800	11.10%
2008	124,990	\$4,347,543,000	\$34,783	8.40%
2007	125,399	\$3,971,135,532	\$31,668	5.40%
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
2003	122,340	3,547,737,660	28,999	5.40
2002	121,940	3,376,152,780	27,687	4.80
2001	121,935	3,314,315,235	27,181	3.50

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 SEVEN FISCAL YEARS**

DEPARTMENT	2010	2009	2008	2007	2006	2005	2004
Administration	2	2	2	2	2	2	2
Finance	3	3	3	3	2	2	2
Customer Service	5	5	6	6	6	5	5
Engineering	10	10	9	9	9	7	6
Operations	28	29	30	29	26	20	20
Total	48	49	50	49	45	36	35



Years 2001 through 2003 data not available

Source: Northwestern Water and Sewer District



**NORTHWESTERN WATER AND SEWER DISTRICT
DEMOGRAPHICS STATISTICS
DECEMBER 31, 2010**

WATER SYSTEM

Miles of Potable Water Main	354
Total Water Connections	11,825
Number of Fire Hydrants	3,050
Water Towers	6
Number of WaterShed/Bulk Water Stations	11

SEWER SYSTEM

Miles of Sewer Lines	265
Total Sewer Connections	13,394
Number of Pump Stations	53
Number of Treatment Plants	8
Number of Manholes	4,565

GENERAL INFORMATION

Population Served (Estimated)	35,000
Number of Employees	48

Source: Northwestern Water and Sewer District

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Finance Committee
Northwestern Water and Sewer District
Bowling Green, Ohio

We have audited the basic financial statements of Northwestern Water and Sewer District (the District) as of and for the years ended December 31, 2010, and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated June 23, 2011.

This report is intended solely for the information and use of management, the Finance Committee, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Toledo, Ohio
June 23, 2011

Cover photo: East Broadway Clear Well Under Construction

Photo by John Sopko

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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
AUGUST 2, 2011**