

**WOOD COUNTY REGIONAL WATER  
AND SEWER DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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The Board of Trustees  
Wood County Regional Water and Sewer District  
One Courthouse Square  
P.O. Box 348  
Bowling Green, OH 43402

We have reviewed the independent auditor's report of the Wood County Regional Water and Sewer District, prepared by Weber Obrien Ltd., for the audit period January 1, 2000 through December 31, 2000. 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 Wood County Regional Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

June 29, 2001

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# WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Northwestern Water and Sewer District  
(formerly Wood County Regional Water and Sewer District)  
One Courthouse Square  
P.O. Box 348  
Bowling Green, Ohio 43402

We have audited the accompanying balance sheets of the Wood County Regional Water and Sewer District (District) (changed to Northwestern Water and Sewer District effective January 1, 2001) as of December 31, 2000 and 1999, and the related statements of revenues, expenses and retained earnings and of 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 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2001 on our consideration of the District's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Board of Trustees  
Wood County Regional Water and Sewer District  
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Our audits were performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The additional information on pages 25-30, which is presented for purposes of additional analysis is not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Walter O'Brien, CTO.

May 3, 2001

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
BALANCE SHEETS  
DECEMBER 31, 2000 AND 1999

|   | <u>2000</u>   | <u>1999</u>   |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| Current assets:   |               |               |
| Cash and cash equivalents (Note 2)  | \$ 3,423,369  | \$ 3,576,218  |
| Investments - (Note 2)  | 440,174       | -             |
| Accounts receivable - trade   | 1,601,007     | 1,606,499     |
| Accounts receivable - contract services   | -             | 72,520        |
| Grants receivable   | 450,000       | -             |
| Special assessments receivable - current portion  | 287,192       | 278,490       |
| Inventory   | 219,487       | 215,485       |
| Prepaid expenses  | 21,702        | 22,968        |
| Total current assets  | 6,442,931     | 5,772,180     |
| Restricted assets (Note 2):   |               |               |
| Board restricted:   |               |               |
| Cash and cash equivalents   | -             | 770,903       |
| Investments   | 1,607,789     | 1,569,817     |
| Restricted for debt retirement:   |               |               |
| Cash and cash equivalents   | 990,483       | 783,483       |
| Total restricted assets   | 2,598,272     | 3,124,203     |
| Special assessments receivable  | 5,973,873     | 4,449,849     |
| Reserve with County Commissioners (Note 6)  | 258,769       | 258,769       |
| Deferred loan costs - net of accumulated amortization<br>of \$37,950 and \$29,670, respectively | 44,801        | 53,081        |
| Fixed assets:   |               |               |
| Land  | 200,578       | 200,578       |
| Sewer and water lines   | 92,697,555    | 86,305,688    |
| Buildings, pumps and lift stations  | 4,648,168     | 4,708,682     |
| Machinery and equipment   | 1,007,223     | 950,120       |
| Vehicles  | 848,763       | 766,079       |
| Furniture and fixtures  | 32,969        | 32,969        |
| Computer equipment  | 226,859       | 194,276       |
| Improvements-Oregon Waste Water Trtmt. Plant  | 3,083,226     | 3,210,965     |
| Construction in progress  | 4,319,273     | 5,545,628     |
| Total fixed assets  | 107,064,614   | 101,914,985   |
| Accumulated depreciation and amortization   | (41,210,265)  | (39,187,977)  |
| Net fixed assets  | 65,854,349    | 62,727,008    |
| Total assets  | \$ 81,172,995 | \$ 76,385,090 |

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL  
PART OF THESE FINANCIAL STATEMENTS"

|   | <u>2000</u>          | <u>1999</u>          |
|---|----------------------|----------------------|
| <b>LIABILITIES AND EQUITY</b>                 |                      |                      |
| Current liabilities:                          |                      |                      |
| Notes payable (Note 4)                        | \$ 400,000           | \$ 3,888,000         |
| Current portion of long-term debt (Note 5)    | 763,417              | 547,089              |
| Accounts payable - trade                      | 238,953              | 189,224              |
| Accounts payable - other                      | 182,387              | 450,851              |
| Compensated absences payable (Note 9)         | 89,544               | 87,986               |
| Accrued payroll and payroll taxes             | 92,493               | 77,272               |
| Accrued interest payable                      | 335,918              | 325,353              |
| Amounts due other governments                 | <u>119,308</u>       | <u>242,834</u>       |
| Total current liabilities                     | 2,222,020            | 5,808,609            |
| Long-term debt, less current portion (Note 5) | <u>13,720,404</u>    | <u>9,150,809</u>     |
| Total liabilities                             | <u>15,942,424</u>    | <u>14,959,418</u>    |
| Contingencies and commitments (Note 11)       |                      |                      |
| Equity:                                       |                      |                      |
| Contributed Capital (Note 7)                  | 61,081,437           | 57,620,427           |
| Retained earnings                             | <u>4,149,134</u>     | <u>3,805,245</u>     |
| Total equity                                  | <u>65,230,571</u>    | <u>61,425,672</u>    |
| Total liabilities and equity                  | <u>\$ 81,172,995</u> | <u>\$ 76,385,090</u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

|   | <u>2000</u>         | <u>1999</u>         |
|---|---------------------|---------------------|
| <b>Operating Revenues:</b>  |                     |                     |
| Utility revenue   | \$ 3,797,329        | \$ 3,942,049        |
| Fees and permits  | 200,875             | 222,062             |
| Contract services   | 118,543             | 56,564              |
| Other   | 30,186              | 30,461              |
| Total operating revenues  | <u>4,146,933</u>    | <u>4,251,136</u>    |
| <b>Operating Expenses:</b>  |                     |                     |
| Depreciation and amortization   | 2,157,864           | 2,212,855           |
| Labor   | 1,022,876           | 933,952             |
| Employee Benefits   | 332,596             | 312,550             |
| Professional services   | 598,944             | 520,970             |
| Purchased water   | 495,316             | 466,755             |
| Materials and supplies  | 469,449             | 549,778             |
| Utilities   | 220,317             | 256,206             |
| Rent  | 26,013              | 28,592              |
| Other   | 101,723             | 63,918              |
| Total operating expenses  | <u>5,425,098</u>    | <u>5,345,576</u>    |
| Operating revenues over (under)<br>operating expenses   | (1,278,165)         | (1,094,440)         |
| <b>Nonoperating revenues (expenses):</b>  |                     |                     |
| Interest income   | 759,655             | 582,197             |
| Interest expense  | (845,477)           | (716,624)           |
| Other   | (18,582)            | 42,476              |
| Net nonoperating revenues<br>(expenses)   | <u>(104,404)</u>    | <u>(91,951)</u>     |
| Net expense (over) under revenues   | (1,382,569)         | (1,186,391)         |
| Transfer from contributed capital to retained<br>earnings amount equal to current<br>depreciation and amortization on assets<br>acquired through contributed capital and<br>capital grants (Note 7) | <u>1,726,458</u>    | <u>1,687,210</u>    |
| Net change to retained earnings   | 343,889             | 500,819             |
| Retained Earnings - beginning   | 3,805,245           | 3,304,426           |
| Retained Earnings - ending  | <u>\$ 4,149,134</u> | <u>\$ 3,805,245</u> |

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL  
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WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2000 AND 1999

|   | <u>2000</u>             | <u>1999</u>             |
|---|-------------------------|-------------------------|
| <u>CASH FLOWS FROM OPERATIONS:</u>  |                         |                         |
| Excess of operating expenses over revenues  | \$ (1,278,165)          | \$ (1,094,440)          |
| Adjustments to reconcile to net cash:   |                         |                         |
| Depreciation and amortization   | 2,157,864               | 2,212,855               |
| Changes in operating assets and liabilities that increase<br>(decrease) cash flows: |                         |                         |
| Special assessments receivable  | (1,532,726)             | (233,285)               |
| Accounts and grants receivable  | (371,988)               | 105,263                 |
| Inventory   | (4,002)                 | 16,558                  |
| Other   | 2,824                   | 47,334                  |
| Accounts payable  | (218,735)               | 26,655                  |
| Accrued payroll and payroll taxes   | 15,221                  | (40,714)                |
| Amounts due other governments   | (123,526)               | 134,647                 |
| Total adjustments   | <u>(75,068)</u>         | <u>2,269,313</u>        |
| NET CASH PROVIDED (USED) BY OPERATIONS  | <u>(1,353,233)</u>      | <u>1,174,873</u>        |
| <br><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</u>                           |                         |                         |
| Capital contributed   | 2,050,105               | 1,478,701               |
| Proceeds from capital grant   | 590,261                 | 66,242                  |
| System development fees   | 579,019                 | 650,939                 |
| Acquisition and construction of fixed assets,<br>net of related payables            | (3,317,119)             | (2,479,630)             |
| Proceeds on sale of fixed assets  | 6,305                   | 8,100                   |
| Proceeds from issuance of short-term notes  | 5,827,000               | 6,688,000               |
| Proceeds from issuance of long-term debt  | 5,336,972               | 500,000                 |
| Repayment of short-term notes   | (9,315,000)             | (8,318,500)             |
| Repayment of long-term debt   | (551,049)               | (468,578)               |
| Interest paid   | (834,912)               | (777,853)               |
| NET CASH PROVIDED (USED) BY FINANCING   | <u>371,582</u>          | <u>(2,652,579)</u>      |
| <br><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>                                    |                         |                         |
| Interest received   | 759,655                 | 582,197                 |
| Proceeds on sale of investments   | 208,280                 | 2,442,479               |
| Purchases of investments  | (703,036)               | (2,043,653)             |
| NET CASH PROVIDED BY INVESTING  | <u>264,899</u>          | <u>981,023</u>          |
| <br><u>DECREASE IN CASH AND CASH EQUIVALENTS</u>                                    | <br><u>(716,752)</u>    | <br><u>(496,683)</u>    |
| Cash and cash equivalents - beginning of year                                       | <u>5,130,604</u>        | <u>5,627,287</u>        |
| <br><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>                                  | <br><u>\$ 4,413,852</u> | <br><u>\$ 5,130,604</u> |
| <br>Restricted cash   | <br>\$ 990,483          | <br>\$ 1,554,386        |
| Unrestricted cash   | <u>\$ 3,423,369</u>     | <u>\$ 3,576,218</u>     |

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WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wood County Regional Water and Sewer District (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.

Effective January 1, 2001, the District changed its legal name to Northwestern Water and Sewer District.

The District is governed by a nine-member Board of Trustees (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 may also assess real estate for certain improvements and issue bonds in anticipation of the collection of such special assessments. The District has not exercised these taxing powers.

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

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

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

Effective for fiscal year 2000 the District is required by law to budget its funds, through adoption of an operating budget by July 15 of each year for the following fiscal year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year. The District prepares its operating budget on the accrual basis of accounting, the same basis on which its financial statements are prepared.

A summary of 2000 budgetary activity appears in Note 3.

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.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable – Trade

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

Deferred Loan Costs

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

Special Assessments Receivable

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

Inventory

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

Fixed Assets

Fixed 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.

Depreciation is recorded using the straight-line method over the estimated lives of the depreciable assets.

Construction in process includes all of the District's costs to develop fixed asset projects. The projects are funded through Board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District capitalized interest of \$56,700 and \$15,700 for the years ended December 31, 2000 and 1999, respectively.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

Investments are stated at fair value.

Restricted Assets

Restricted assets consist of monies and other resources which are restricted by the District's Board of Trustees or as specified in debt agreements. These restrictions are described below:

Board Restricted Assets – These assets are restricted for capital and operating expenditures, and debt service.

Restricted in Accordance with Debt Agreements – These assets are restricted in accordance with the debt agreements to satisfy debt service requirements.

Contributed Capital, Grants and Assistance

Contributed capital relates primarily to the excess of the book value of assets transferred from the County over the liabilities assumed by the District upon creation of the District. Contributed capital also includes system development fees, assets whose construction was financed by special assessments, and donations from private sources. Grants for the acquisition of fixed assets are credited to contributed capital as the related qualified expenditures are incurred. Any grant cash received prior to the incurrence of related qualified expenditures is deferred. Depreciation on fixed assets resulting from contributed capital and capital grants is computed using the straight-line method and such depreciation is transferred from retained earnings to contributed capital.

User Rates and Expenses

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

Compensated Absences

The District has adopted 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.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

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.

The District's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the District or its safekeeping agent in the District's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the District's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the District's name.

The carrying value of the District's deposits was \$1,256,164 and \$1,941,373 at December 31, 2000 and 1999, respectively. The following shows the bank balances of the District's deposits in each category:

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 2 – CASH AND INVESTMENTS, Continued

- Category 1. \$ 100,000 was covered by federal depository insurance.
- Category 3. \$1,277,546 and \$1,916,798 as of December 31, 2000 and 1999, respectively, was covered by collateral held by the pledging financial institution, but not in the name of the District.

A reconciliation of the carrying value of the District’s deposits above to the balance sheet follows:

|   | <u>2000</u>        | <u>1999</u>        |
|---|--------------------|--------------------|
| Deposits  | \$1,256,164        | \$1,941,373        |
| Investments                                     | <u>2,167,205</u>   | <u>1,634,845</u>   |
| Unrestricted Cash and<br>Cash Equivalents Total | <u>\$3,423,369</u> | <u>\$3,576,218</u> |

Collateral is required for demand deposits and certificates of deposit at 110 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.

Investments

State Statute and Board Resolutions authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 2 – CASH AND INVESTMENTS, Continued

manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000 and 1999.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the District's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the District's name. Star Ohio is not classified, since it is not evidenced by securities that exist in physical or book entry form.

The District's investments consist of the following:

| <u>INVESTMENT</u>                              | <u>2000</u>       |                                 | <u>1999</u>       |                                 |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
|  | <u>CATEGORY B</u> | <u>CARRYING/<br/>FAIR VALUE</u> | <u>CATEGORY B</u> | <u>CARRYING/<br/>FAIR VALUE</u> |
| U.S. Treasuries and Federal Agency Obligations | \$2,048,763       | \$2,048,763                     | \$1,947,479       | \$1,947,479                     |
| Star Ohio                                      |                   | <u>3,156,888</u>                |                   | <u>2,811,569</u>                |
| Total Investments (including restricted)       |                   | <u>\$5,205,651</u>              |                   | <u>\$4,759,048</u>              |

The above amounts are included in the balance sheet as follows:

|              | <u>2000</u>        | <u>1999</u>        |
|--------------|--------------------|--------------------|
| Unrestricted | \$2,607,379        | \$1,634,845        |
| Restricted   | <u>2,598,272</u>   | <u>3,124,203</u>   |
| Total        | <u>\$5,205,651</u> | <u>\$4,759,048</u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 (the first year that compliance with budgetary regulations was required) was as follows:

|                          | <u>Budget</u> | <u>Actual</u> | <u>Favorable/<br/>(Unfavorable)<br/>Variance</u> |
|--------------------------|---------------|---------------|--|
| Total Revenue            | \$4,643,000   | \$4,906,588   | \$263,588  |
| Total Expenses           | 4,357,000     | 4,562,699     | ( 205,699)                                       |
| Debt Service – Principal | 547,089       | 551,049       | ( 3,960)   |

The above budget v. actual comparison was prepared on the same accrual basis of accounting used to prepare the District’s financial statements.

NOTE 4 – NOTES PAYABLE

Notes payable issued to provide temporary financing of sewer and water construction projects outstanding at December 31, 2000 and 1999 are as follows:

| <u>Date of<br/>Issue</u> | <u>Purpose</u>          | <u>Interest<br/>Rate</u> | 2000                     |                               | 1999                     |                               |
|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
|                          |                         |                          | <u>Maturity<br/>Date</u> | <u>Amount<br/>Outstanding</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Outstanding</u> |
| 7/08/99                  | Oregon WWTP Phase II    | 4.59%                    | 1/07/00                  | \$ -0-                        | 1/07/00                  | \$2,800,000                   |
| 5/14/99                  | Stearnscrest/Rudolph SS | 4.50%                    | 5/12/00                  | -0-                           | 5/12/00                  | 385,000                       |
| 6/11/99                  | WL #167 and #183        | 4.00%                    | 6/09/00                  | -0-                           | 6/09/00                  | 703,000                       |
| 5/12/00                  | Stearnscrest/Rudolph SS | 6.00%                    | 5/12/01                  | <u>400,000</u>                | --                       | <u>-0-</u>                    |
|                          | Total Notes Payable     |                          |                          | <u>\$400,000</u>              |                          | <u>\$3,888,000</u>            |

The notes are secured by the underlying fixed assets.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 5 - DEBT

Ohio Water Development Authority Loans Payable

The District has five 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, 2000 and 1999:

| Project Number    | Date of Loan | Original Amount | Interest Rate | Final Payment Date | 2000                | 1999               |
|-------------------|--------------|-----------------|---------------|--------------------|---------------------|--------------------|
|                   |              |                 |               |                    | Amount Outstanding  | Amount Outstanding |
| SS #200           | 6/16/71      | \$1,367,947     | 5.25%         | 7/01/01            | \$ 87,588           | \$ 170,183         |
| SS #140           | 9/29/94      | 1,065,000       | 4.18%         | 7/01/14            | 831,924             | 874,895            |
| WL #234           | 7/27/95      | 5,496,313       | 6.36%         | 1/01/16            | 4,772,223           | 4,950,656          |
| WL #167-183       | 5/27/99      | 3,503,947       | 5.56%         | 7/01/20            | 3,503,947           | -0-                |
| SS #904 & WL #904 | 8/31/00      | 1,660,596       | 3.0% -6.39%   | 1/01/21            | 1,660,596           | -0-                |
|                   |              |                 |               |                    | <u>\$10,856,278</u> | <u>\$5,995,734</u> |

Other long-term loans at December 31, 2000 and 1999 are as follows:

| Date of Issue | Purpose                       | Interest Rates | Maturity Date | 2000 Amount Outstanding | 1999 Amount Outstanding |
|---------------|-------------------------------|----------------|---------------|-------------------------|-------------------------|
| 1/01/87       | Sewer Improvement - SS #220   | 7.76%          | 12/31/06      | \$ 333,477              | \$ 368,413              |
| 12/01/97      | Jerry City SS/Cygnnet Lagoon  | 6.04%          | 12/01/36      | 216,759                 | 218,459                 |
| 8/13/98       | Jerry City SS #1800 OPWC Loan | 0.00%          | 7/01/19       | 480,407                 | 505,692                 |
| 9/08/98       | Jerry City SS #1800 USDA Loan | 4.75%          | 9/08/38       | 287,900                 | 284,600                 |
|               |                               |                |               | <u>\$1,318,543</u>      | <u>\$1,377,164</u>      |

Bonded debt at December 31, 2000 and 1999 are as follows:

| Date of Issue | Purpose                     | Original Amount | Interest Rates | Maturity Date | 2000 Amount Outstanding | 1999 Amount Outstanding |
|---------------|-----------------------------|-----------------|----------------|---------------|-------------------------|-------------------------|
| 6/06/96       | 1996 Revenue Refunding Bond | \$1,775,000     | 5.70%          | 12/01/06      | \$1,095,000             | \$1,250,000             |
| 9/17/96       | Special Assessments Bond    | 277,159         | 6.20%          | 12/01/16      | 235,000                 | 235,000                 |
| 10/01/98      | Special Assessments Bonds   | 360,000         | 4.25 - 5.25%   | 10/01/18      | 325,000                 | 340,000                 |
| 9/23/99       | Special Assessments Bonds   | 500,000         | 5.85%          | 12/01/19      | 485,000                 | 500,000                 |
| 9/20/00       | Special Assessments Bonds   | 175,000         | 6.13%          | 12/01/20      | 175,000                 | -0-                     |
|               |                             |                 |                |               | <u>\$2,315,000</u>      | <u>\$2,325,000</u>      |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 5 – DEBT, Continued

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

The District is subject to certain restrictive debt covenants, including financial ratio requirements such as maintenance of minimum debt service coverage ratios.

The annual principal and interest requirements on all long term debt outstanding at December 31, 2000 are as follows:

| <u>Year</u>            | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|------------------------|---------------------|--------------------|---------------------|
| 2001                   | \$ 763,417          | \$ 752,669         | \$ 1,516,086        |
| 2002                   | 710,387             | 728,069            | 1,438,456           |
| 2003                   | 741,448             | 689,609            | 1,431,057           |
| 2004                   | 788,951             | 532,716            | 1,321,667           |
| 2005                   | 828,089             | 605,442            | 1,433,531           |
| 2006 and<br>Thereafter | <u>10,651,529</u>   | <u>4,650,405</u>   | <u>15,301,934</u>   |
| Total                  | <u>\$14,483,821</u> | <u>\$7,958,910</u> | <u>\$22,442,731</u> |

At December 31, 2000 and 1999, respectively, the District had \$990,483 and \$783,483 in cash and cash equivalents 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. This debt is backed by the full faith and credit of the County and is not reflected in the District's financial statements.

At December 31, 2000 and 1999, \$3,668,000 and \$4,065,000, respectively, in special assessment debt related to the District is outstanding. During the formation of the District, the County retained \$208,000 to establish a reserve to fund shortfalls in the collection of 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 2000 and 1999, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,769 as of December 31, 2000 and 1999.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 6 – COUNTY DEBT OBLIGATIONS, Continued

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

At December 31, 2000 and 1999, \$2,197,000 and \$2,219,000, 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 2000 and 1999, or in prior years on this reserve.

NOTE 7 – CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 2000 and 1999 were as follow:

|  | <u>2000</u>          | <u>1999</u>          |
|--|----------------------|----------------------|
| Balances at January 1  | \$57,620,427         | \$57,111,755         |
| Capital contributed  | 4,147,176            | 1,478,701            |
| System development fees  | 496,792              | 650,939              |
| Capital grant  | 543,500              | 66,242               |
| Transfer from retained earnings the depreciation on<br>assets acquired through contributed capital and<br>capital grants | ( <u>1,726,458</u> ) | ( <u>1,687,210</u> ) |
| Balance at December 31   | <u>\$61,081,437</u>  | <u>\$57,620,427</u>  |

The additions to contributed capital include sewer and water lines financed through special assessments, system development fees, or private developers.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 8 – 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 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) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The PERS Board instituted a temporary employer contribution rate rollback for 2000. The rate rollback was 20% for local government employers, or 10.84% of covered payroll. The total 1999 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The District's contributions to P.E.R.S. for the years ending December 31, 2000, 1999 and 1998 were \$118,200, \$144,200, and \$144,400, respectively. All required contributions were made prior to each of those fiscal year ends.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants 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 2000 and 1999 employer contribution rate was 10.84% and 13.55%, respectively, of covered payroll; 4.3% and 4.2% was the portion that was used to fund health care for 2000 and 1999, respectively.

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. During 2000, P.E.R.S. elected to return to advance funding of its OPEB's on an actuarially determined basis. Information supporting this change in funding methodology related to prior years for comparative purposes is not available. The most recent actuarial valuation of P.E.R.S.' OPEB liability was performed as of December 31, 1999. The following significant actuarial assumptions were used in this valuation:

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 8 – RETIREMENT AND OTHER BENEFIT PLANS, Continued

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

Assets Valuation Method All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return The investment assumption rate for 1999 was 7.75%.

Active Employee Total Payroll An annual increase of 4.75% compounded annually.

Health Care Costs Health care costs was assumed to increase 4.75% annually.

The number of active contributing participants of P.E.R.S. as of December 31, 1999 was 401,339. The contribution rates discussed above are the actuarially determined contribution requirements for P.E.R.S. The Retirement System's net assets available for OPEB had an actuarial value of \$10,805,500,000 as of December 31, 1999. The actuarial accrued liability as of that date was \$12,473,600,000 resulting in an unfunded actuarial accrued liability of \$1,668,100,000.

NOTE 9 – COMPENSATED ABSENCES

Vacation and sick leave policies are established by 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.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 9 – COMPENSATED ABSENCES, Continued

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

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

At December 31, 2000 and 1999, \$89,544 and \$87,986, respectively, of vested compensated absences was accrued by the District, for both union and non-union personnel. Nonvested amounts have not been accrued, as the amounts are not material to the financial statements.

NOTE 10 - 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 from the prior year.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

Grants

The District received financial assistance from a state agency 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 is 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, 2000 and 1999.

Construction Commitments

At December 31, 2000, the District has construction commitments, on which work has not commenced, totaling approximately \$1,950,000, which will be funded by existing resources or the issuance of new revenue debt.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 11 – CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims

At December 31, 2000 and 1999, the District was involved in the following litigation:

*City of Northwood v. Wood County Regional Water and Sewer District, Ohio Supreme Court Case 98-522.*

This case began in August 1995 with the City of Northwood attempting to extend the District's water and sewer lines and provide service to an area without the District's approval. In October 1995, the City of Northwood attempted to appropriate the District's main transmission and local distribution waterlines and sewer lines within the City's boundaries. The District filed a separate action contending the City had no right under the Ohio Constitution to appropriate any of the District facilities.

The trial court found in favor of the District in 1997. After subsequent appeals by both parties, the matter was brought before the Ohio Supreme Court in 1998. The Ohio Supreme Court found in favor of the City but within certain limitations. The case was remanded back to the trial court, which ordered non-binding mediation of the case on March 14, 2000.

By settlement Agreement dated September 14, 2000 the parties resolved all claims asserted. The District agreed to pay to Northwood system development fees collected within the City for a ten (10) year term beginning in 1999 in an aggregate amount not to exceed \$500,000. Northwood relinquished any claim that it owns the District's facilities and any claim to appropriate the facilities. In 2000, the District remitted approximately \$147,100 of development fees covering 1999 and 2000.

*City of Perrysburg v. City of Toledo and the Wood County Regional Water and Sewer District, Lucas County Case CI-1998-01930.*

On March 30, 1998, the City of Perrysburg filed suit claiming it had the sole and exclusive right to provide water service within its Perrysburg Service Area (which includes part of Perrysburg Township) in Wood County and that it had the right to employ the District's line to transport water purchased from Toledo without charge. Both Toledo and the District counterclaimed. The District claims that it has the right to serve customers in this same service area and further contends Perrysburg has no exclusive rights to serve customers in their Toledo contract service area, the District has the right to enforce its rules and regulations as to service and the District has the right to charge any user for: tap-in fees, service connection fees, and operation and maintenance fees for service.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 11 – CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims, Continued

The District claims damages in excess of \$379,000 for costs of a tap into the District's transmission lines at Glenwood Road and \$5,500,000 for facilities on which the City of Perrysburg has initiated annexation procedures.

The parties have engaged in limited discovery. A pre-trial conference was held on March 10, 1999. No trial date has been set, and the trial court has not ruled on cross motions for summary judgment.

*Wood County Regional Water and Sewer District v. Carol M. Browner, et al., United States District Court, Case No. 3:00 CV7502*

On August 16, 2000, the District filed suit against Carol M. Browner, Administrator for the U.S. EPA, Governor Robert Taft, Christopher Jones, Director of the Ohio EPA and the Toledo Metropolitan Area Council of Governments. The District seeks declaratory judgment and injunctive relief under the Federal Clean Water Act. The District claims that all Defendants have failed to perform duties mandated under the Clean Water Act to prepare, annually update, certify and approve an areawide water quality management plan for portions of Perrysburg and Middleton Township. The District seeks to enjoin the Ohio EPA from denying any permits sought by the District in the subject area until such time as a valid Section 208 plan is adopted, certified by the Governor and approved by the Administrator of the U.S. EPA.

The State defendants have all filed answers denying the substantive allegations. The Administrator has moved to dismiss for lack of federal subject matter.

The City of Perrysburg and certain commercial developers have been granted leave to intervene. A preliminary injunction hearing was held on April 10, 2001.

On February 12, 2001, the City of Perrysburg filed a counterclaim against the District and a cross-claim against the Director of the Ohio EPA. By its counterclaim, the City asserts that the District violated federal regulations, 40 CFR §130.9, by failing to cooperate with Perrysburg in the extension of wastewater services. The City seeks to enjoin the District from providing any sewer services in conflict with any Section 208 plan. Additionally, the City of Perrysburg, on December 19, 2000, passed Resolution No. 49-2000 which authorized the City to commence appropriation proceedings to appropriate the District's pump station and related facilities in the Route 20 area. The City has not proceeded with this appropriation.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 11 – CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims, Continued

In May 2001, the District and the City of Perrysburg reached a tentative agreement regarding sewer services in the Perrysburg and Middleton Township areas. The tentative agreement would establish a defined contract service area in Perrysburg and Middleton Townships. The City of Perrysburg would provide sewage treatment service and the District would provide sewage collection services. Rates are established as well as other terms and conditions of service. The term of the agreement is twenty (20) years.

The agreement must be formally approved by the District's Board and the City of Perrysburg's City Council. The District's Board approved the agreement. Perrysburg's City Council is expected to approve the agreement by June 19, 2001. Once effective, the agreement requires the District and the City of Perrysburg to dismiss all claims and counterclaims in the case.

*Environmental Review Appeals Commission:*

*Saddlebrook Waterline Extension, Case 873810 and Case 873873*

*Saddlebrook Sewerline Extension, Case 873815 and Case 873866*

*Coventry Wood Waterline, Case 874040 and Case 874088*

*Simmons Road Waterline, Case 874022 and Case 874070*

The City of Perrysburg has filed a number of appeals to the Environmental Review Appeals Commission (ERAC) regarding EPA approval of design plans for District water and sewer line extensions contending these projects are contrary to their master plan completed several years ago for the township areas. The City feels it has paramount right to serve these areas outside of their corporate limits. The District feels the design and engineering on these projects are the issues in the appeals and not the City's master plan.

In relation to the *Saddlebrook Waterline Extension, Case No.'s 873810 and 873873*, on November 9, 2000, the ERAC affirmed the permits issued to the District in all respects. On December 8, 2000 the City of Perrysburg appealed this finding to the Franklin County Court of Appeals. For the *Saddlebrook Sewerline Extension, Case No.'s 873815 and 873866*, the cases were remanded upon agreement to the EPA and the permits reissued to the District; no further appeals were taken and these cases are final.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 11 – CONTINGENCIES AND COMMITMENTS, Continued

Litigation and Claims, Continued

For the *Coventry Wood Waterline, Case No.'s 874040 and 874088*, case trials commenced in January 2001, and concluded in February 2001. Final briefs are to be filed in these cases by June 2001. In relation to the *Simmons Road Waterline, Case No.'s 874022 and 874070*, no trial has been scheduled yet for these cases.

The ultimate outcome of all of the above matters cannot be determined: however it is the opinion of management that any resulting liability to the District will not have a material effect on the Districts' financial position.

Other Pending EPA and Local Health Department Ordered Projects

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. As of December 31, 2000 there are eight such ordered areas with preliminary cost estimates totaling \$15.3 million for projects to commence 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 has approximately \$871,500 at December 31, 2000 and 1999 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, most of which would have qualified for loans from the Rotary Commission 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 reflected in the financial statements.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 12 – SEGMENT INFORMATION

Significant financial data for the respective divisions of the District's enterprise fund at and for the year ended December 31, 2000 and 1999 is as follows:

|  | 2000               |                    |                      | 1999               |                    |                      |
|--|--------------------|--------------------|----------------------|--------------------|--------------------|----------------------|
|  | <u>Sewer</u>       | <u>Water</u>       | <u>Total</u>         | <u>Sewer</u>       | <u>Water</u>       | <u>Total</u>         |
| Operating revenues                                   | \$ 2,417,500       | \$ 1,729,433       | \$ 4,146,933         | \$ 2,421,106       | \$ 1,830,030       | \$ 4,251,136         |
| Operating expenses:                                  |                    |                    |                      |                    |                    |                      |
| Depreciation and amortization                        | 1,393,015          | 764,849            | 2,157,864            | 1,443,385          | 769,470            | 2,212,855            |
| Other  | <u>1,680,750</u>   | <u>1,586,484</u>   | <u>3,267,234</u>     | <u>1,458,781</u>   | <u>1,673,940</u>   | <u>3,132,721</u>     |
| Total operating expenses                             | <u>3,073,765</u>   | <u>2,351,333</u>   | <u>5,425,098</u>     | <u>2,902,166</u>   | <u>2,443,410</u>   | <u>5,345,576</u>     |
| Excess of operating expenses over operating revenues | ( <u>656,265</u> ) | ( <u>621,900</u> ) | ( <u>1,278,165</u> ) | ( <u>481,060</u> ) | ( <u>613,380</u> ) | ( <u>1,094,440</u> ) |
| Net expenses over revenues                           | ( <u>751,291</u> ) | ( <u>631,278</u> ) | ( <u>1,382,569</u> ) | ( <u>568,281</u> ) | ( <u>618,110</u> ) | ( <u>1,186,391</u> ) |
| Current capital contributions                        | 3,155,682          | 2,031,786          | 5,187,468            | 1,165,789          | 1,030,093          | 2,195,882            |
| Fixed assets   |                    |                    |                      |                    |                    |                      |
| Additions  | 3,268,871          | 2,148,072          | 5,416,943            | 1,385,914          | 820,768            | 2,206,682            |
| Disposals  | 22,332             | 113,241            | 135,573              | 17,680             | 8,320              | 26,000               |
| Depreciation on contributed assets                   | 1,120,212          | 606,246            | 1,726,458            | 1,096,470          | 590,740            | 1,687,210            |
| Net working capital                                  | 3,161,262          | 1,059,649          | 4,220,911            | ( 374,016 )        | 337,587            | ( 36,429 )           |
| Total assets*  | 47,398,158         | 33,774,837         | 81,172,995           | 44,736,165         | 31,648,925         | 76,385,090           |
| Notes and bonds payable*                             | 7,839,090          | 7,044,731          | 14,883,821           | 7,178,742          | 6,407,156          | 13,585,898           |
| Total equity   | 39,300,016         | 25,930,555         | 65,230,571           | 36,895,625         | 24,530,047         | 61,425,672           |

\*Includes elimination of the inter-division receivable and note payable.

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF BALANCE SHEET INFORMATION BY DIVISION  
DECEMBER 31, 2000

|   | Water                       | Sewer                       | Elimination<br>Adjustments | Combined                    |
|---|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |                            |                             |
| Current assets:   |                             |                             |                            |                             |
| Cash and cash equivalents   | \$ 418,122                  | \$ 3,005,247                |                            | \$ 3,423,369                |
| Investments   | 140,198                     | 299,976                     |                            | 440,174                     |
| Accounts receivable - trade   | 710,526                     | 890,481                     |                            | 1,601,007                   |
| Accounts and notes receivable - contract services                   | -                           | 200,000                     | \$ (200,000)               | -                           |
| Grants Receivable   | 225,000                     | 225,000                     |                            | 450,000                     |
| Special assessments receivable - current portion                    | 227,397                     | 59,795                      |                            | 287,192                     |
| Inventory   | 208,393                     | 11,094                      |                            | 219,487                     |
| Prepaid expenses  | 8,128                       | 13,574                      |                            | 21,702                      |
| Total current assets  | <u>1,937,764</u>            | <u>4,705,167</u>            | <u>(200,000)</u>           | <u>6,442,931</u>            |
| Restricted assets:  |                             |                             |                            |                             |
| Board restricted:   |                             |                             |                            |                             |
| Cash and cash equivalents   | -                           | -                           |                            | -                           |
| Investments   | 555,122                     | 1,052,667                   |                            | 1,607,789                   |
| Restricted for debt retirement:                                     |                             |                             |                            |                             |
| Cash and cash equivalents   | 923,483                     | 67,000                      |                            | 990,483                     |
| Total restricted assets   | <u>1,478,605</u>            | <u>1,119,667</u>            | <u>-</u>                   | <u>2,598,272</u>            |
| Special assessments receivable                                      | 4,007,753                   | 1,966,120                   |                            | 5,973,873                   |
| Reserve with County Commissioners                                   | 36,836                      | 221,933                     |                            | 258,769                     |
| Deferred loan costs, net of accumulated amortization<br>of \$37,950 | -                           | 44,801                      |                            | 44,801                      |
| Fixed assets:   |                             |                             |                            |                             |
| Land  | 42,083                      | 158,495                     |                            | 200,578                     |
| Sewer and water lines   | 36,973,322                  | 55,724,233                  |                            | 92,697,555                  |
| Buildings, pumps and lift stations                                  | 1,292,316                   | 3,355,852                   |                            | 4,648,168                   |
| Machinery and equipment   | 368,062                     | 639,161                     |                            | 1,007,223                   |
| Vehicles  | 280,890                     | 567,873                     |                            | 848,763                     |
| Furniture and fixtures  | 11,825                      | 21,144                      |                            | 32,969                      |
| Computer equipment  | 81,904                      | 144,955                     |                            | 226,859                     |
| Improvements-Oregon Waste Water Trtmt. Plant                        | 2,490                       | 3,080,736                   |                            | 3,083,226                   |
| Construction in progress  | 1,239,182                   | 3,080,091                   |                            | 4,319,273                   |
| Total fixed assets  | <u>40,292,074</u>           | <u>66,772,540</u>           | <u>-</u>                   | <u>107,064,614</u>          |
| Accumulated depreciation and amortization                           | <u>(13,978,195)</u>         | <u>(27,232,070)</u>         |                            | <u>(41,210,265)</u>         |
| Net fixed assets  | <u>26,313,879</u>           | <u>39,540,470</u>           | <u>-</u>                   | <u>65,854,349</u>           |
| <b>Total assets</b>   | <u><u>\$ 33,774,837</u></u> | <u><u>\$ 47,598,158</u></u> | <u><u>\$ (200,000)</u></u> | <u><u>\$ 81,172,995</u></u> |

|                                      | Water                | Sewer                | Elimination<br>Adjustments | Combined             |
|--------------------------------------|----------------------|----------------------|----------------------------|----------------------|
| <b>LIABILITIES AND EQUITY</b>        |                      |                      |                            |                      |
| Current liabilities:                 |                      |                      |                            |                      |
| Notes payable                        | \$ 200,000           | \$ 400,000           | \$ (200,000)               | \$ 400,000           |
| Current portion of long-term debt    | 278,564              | 484,853              |                            | 763,417              |
| Accounts payable - trade             | 130,839              | 108,114              |                            | 238,953              |
| Accounts payable - other             | 182,387              | -                    |                            | 182,387              |
| Compensated absences payable         | 34,027               | 55,517               |                            | 89,544               |
| Accrued payroll and payroll taxes    | 35,447               | 57,046               |                            | 92,493               |
| Accrued interest payable             | 192,910              | 143,008              |                            | 335,918              |
| Amounts due other governments        | 23,941               | 95,367               |                            | 119,308              |
|                                      | <u>1,078,115</u>     | <u>1,343,905</u>     | <u>(200,000)</u>           | <u>2,222,020</u>     |
|                                      |                      |                      |                            |                      |
| Long-term debt, less current portion | <u>6,766,167</u>     | <u>6,954,237</u>     |                            | <u>13,720,404</u>    |
|                                      |                      |                      |                            |                      |
| Total liabilities                    | <u>7,844,282</u>     | <u>8,298,142</u>     | <u>(200,000)</u>           | <u>15,942,424</u>    |
|                                      |                      |                      |                            |                      |
| Equity:                              |                      |                      |                            |                      |
| Contributed Capital                  | 24,911,047           | 36,170,390           |                            | 61,081,437           |
| Retained earnings                    | 1,019,508            | 3,129,626            |                            | 4,149,134            |
| Total equity                         | <u>25,930,555</u>    | <u>39,300,016</u>    | <u>-</u>                   | <u>65,230,571</u>    |
|                                      |                      |                      |                            |                      |
|                                      |                      |                      |                            |                      |
| Total liabilities and equity         | <u>\$ 33,774,837</u> | <u>\$ 47,598,158</u> | <u>\$ (200,000)</u>        | <u>\$ 81,172,995</u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF BALANCE SHEET INFORMATION BY DIVISION  
DECEMBER 31, 1999

|   | Water         | Sewer         | Elimination<br>Adjustments | Combined      |
|---|---------------|---------------|----------------------------|---------------|
| <b>ASSETS</b>   |               |               |                            |               |
| Current assets:   |               |               |                            |               |
| Cash and cash equivalents   | \$ 801,750    | \$ 2,774,468  |                            | \$ 3,576,218  |
| Accounts receivable - trade   | 698,264       | 908,235       |                            | 1,606,499     |
| Accounts and notes receivable - contract services                   | 20,375        | 302,145       | \$ (250,000)               | 72,520        |
| Special assessments receivable - current portion                    | 225,763       | 52,727        |                            | 278,490       |
| Inventory   | 204,861       | 10,624        |                            | 215,485       |
| Prepaid expenses  | 8,728         | 14,240        |                            | 22,968        |
| Total current assets  | 1,959,741     | 4,062,439     | (250,000)                  | 5,772,180     |
| Restricted assets:  |               |               |                            |               |
| Board restricted:   |               |               |                            |               |
| Cash and cash equivalents   | -             | 770,903       |                            | 770,903       |
| Investments   | 525,938       | 1,043,879     |                            | 1,569,817     |
| Restricted for debt retirement:                                     |               |               |                            |               |
| Cash and cash equivalents   | 748,577       | 34,906        |                            | 783,483       |
| Total restricted assets   | 1,274,515     | 1,849,688     |                            | 3,124,203     |
| Special assessments receivable                                      | 3,443,175     | 1,006,674     |                            | 4,449,849     |
| Reserve with County Commissioners                                   | 36,836        | 221,933       |                            | 258,769       |
| Deferred loan costs, net of accumulated amortization<br>of \$29,670 | -             | 53,081        |                            | 53,081        |
| Fixed assets:   |               |               |                            |               |
| Land  | 42,083        | 158,495       |                            | 200,578       |
| Sewer and water lines   | 34,596,377    | 51,709,311    |                            | 86,305,688    |
| Buildings, pumps and lift stations                                  | 1,362,571     | 3,346,111     |                            | 4,708,682     |
| Machinery and equipment   | 324,586       | 625,534       |                            | 950,120       |
| Vehicles  | 249,027       | 517,052       |                            | 766,079       |
| Furniture and fixtures  | 11,825        | 21,144        |                            | 32,969        |
| Computer equipment  | 75,450        | 118,826       |                            | 194,276       |
| Improvements-Oregon Waste Water Trtmt. Plant                        | 2,490         | 3,208,475     |                            | 3,210,965     |
| Construction in progress  | 1,596,837     | 3,948,791     |                            | 5,545,628     |
| Total fixed assets  | 38,261,246    | 63,653,739    | -                          | 101,914,985   |
| Accumulated depreciation and amortization                           | (13,326,588)  | (25,861,389)  |                            | (39,187,977)  |
| Net fixed assets  | 24,934,658    | 37,792,350    | -                          | 62,727,008    |
| Total assets  | \$ 31,648,925 | \$ 44,986,165 | \$ (250,000)               | \$ 76,385,090 |

|                                      | Water               | Sewer               | Elimination<br>Adjustments | Combined            |
|--------------------------------------|---------------------|---------------------|----------------------------|---------------------|
| <b>LIABILITIES AND EQUITY</b>        |                     |                     |                            |                     |
| Current liabilities:                 |                     |                     |                            |                     |
| Notes payable                        | \$ 953,000          | \$ 3,185,000        | \$ (250,000)               | \$ 3,888,000        |
| Current portion of long-term debt    | 207,432             | 339,657             |                            | 547,089             |
| Accounts payable - trade             | 122,496             | 66,728              |                            | 189,224             |
| Accounts payable - other             | 22,980              | 427,871             |                            | 450,851             |
| Compensated absences payable         | 33,435              | 54,551              |                            | 87,986              |
| Accrued payroll and payroll taxes    | 29,319              | 47,953              |                            | 77,272              |
| Accrued interest payable             | 183,657             | 141,696             |                            | 325,353             |
| Amounts due other governments        | 69,835              | 172,999             |                            | 242,834             |
| Total current liabilities            | 1,622,154           | 4,436,455           | (250,000)                  | 5,808,609           |
| Long-term debt, less current portion | 5,496,724           | 3,654,085           |                            | 9,150,809           |
| Total liabilities                    | 7,118,878           | 8,090,540           | (250,000)                  | 14,959,418          |
| Equity:                              |                     |                     |                            |                     |
| Contributed Capital                  | 23,485,507          | 34,134,920          |                            | 57,620,427          |
| Retained earnings                    | 1,044,540           | 2,760,705           |                            | 3,805,245           |
| Total equity                         | 24,530,047          | 36,895,625          | -                          | 61,425,672          |
| Total liabilities and equity         | <u>\$31,648,925</u> | <u>\$44,986,165</u> | <u>\$ (250,000)</u>        | <u>\$76,385,090</u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES BY DIVISION  
YEAR ENDED DECEMBER 31, 2000

|  | Water                      | Sewer                      | Elimination<br>Adjustments | Combined                   |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Operating Revenues:</b>   |                            |                            |                            |                            |
| Utility revenue  | \$ 1,569,513               | \$ 2,227,816               |                            | \$ 3,797,329               |
| Fees and permits   | 119,933                    | 80,942                     |                            | 200,875                    |
| Contract services  | 28,231                     | 90,312                     |                            | 118,543                    |
| Other  | 11,756                     | 18,430                     |                            | 30,186                     |
| Total operating revenues   | <u>1,729,433</u>           | <u>2,417,500</u>           | <u>-</u>                   | <u>4,146,933</u>           |
| <b>Operating Expenses:</b>   |                            |                            |                            |                            |
| Depreciation and amortization  | 764,849                    | 1,393,015                  |                            | 2,157,864                  |
| Labor  | 390,061                    | 632,815                    |                            | 1,022,876                  |
| Employee Benefits  | 126,958                    | 205,638                    |                            | 332,596                    |
| Professional services  | 193,302                    | 405,642                    |                            | 598,944                    |
| Purchased water  | 495,316                    | -                          |                            | 495,316                    |
| Materials and supplies   | 244,258                    | 225,191                    |                            | 469,449                    |
| Utilities  | 85,449                     | 134,868                    |                            | 220,317                    |
| Rent   | 9,885                      | 16,128                     |                            | 26,013                     |
| Other  | 41,255                     | 60,468                     |                            | 101,723                    |
| Total operating expenses   | <u>2,351,333</u>           | <u>3,073,765</u>           | <u>-</u>                   | <u>5,425,098</u>           |
| Operating revenues over (under)<br>operating expenses  | (621,900)                  | (656,265)                  | -                          | (1,278,165)                |
| <b>Nonoperating revenues (expenses):</b>   |                            |                            |                            |                            |
| Interest income  | 396,695                    | 362,960                    |                            | 759,655                    |
| Interest expense   | (417,675)                  | (427,802)                  |                            | (845,477)                  |
| Other  | 11,602                     | (30,184)                   |                            | (18,582)                   |
| Net nonoperating revenues<br>(expenses)  | <u>(9,378)</u>             | <u>(95,026)</u>            | <u>-</u>                   | <u>(104,404)</u>           |
| Net expense (over) under revenues  | (631,278)                  | (751,291)                  | -                          | (1,382,569)                |
| Transfer to retained earnings current<br>depreciation and amortization on assets<br>acquired through contributed capital and<br>capital grants | <u>606,246</u>             | <u>1,120,212</u>           |                            | <u>1,726,458</u>           |
| Net change to retained earnings  | (25,032)                   | 368,921                    |                            | 343,889                    |
| Retained Earnings - beginning  | <u>1,044,540</u>           | <u>2,760,705</u>           |                            | <u>3,805,245</u>           |
| Retained Earnings - ending   | <u><u>\$ 1,019,508</u></u> | <u><u>\$ 3,129,626</u></u> | <u><u>\$ -</u></u>         | <u><u>\$ 4,149,134</u></u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES BY DIVISION  
YEAR ENDED DECEMBER 31, 1999

|  | Water               | Sewer               | Elimination<br>Adjustments | Combined            |
|--|---------------------|---------------------|----------------------------|---------------------|
| <b>Operating Revenues:</b>   |                     |                     |                            |                     |
| Utility revenue  | \$ 1,656,098        | \$ 2,285,951        |                            | \$ 3,942,049        |
| Fees and permits   | 149,003             | 73,059              |                            | 222,062             |
| Contract services  | 1,750               | 54,814              |                            | 56,564              |
| Other  | 23,179              | 7,282               |                            | 30,461              |
| Total operating revenues   | <u>1,830,030</u>    | <u>2,421,106</u>    | -                          | <u>4,251,136</u>    |
| <b>Operating Expenses:</b>   |                     |                     |                            |                     |
| Depreciation and amortization  | 769,470             | 1,443,385           |                            | 2,212,855           |
| Labor  | 347,237             | 586,715             |                            | 933,952             |
| Employee Benefits  | 118,300             | 194,250             |                            | 312,550             |
| Professional services  | 242,332             | 278,638             |                            | 520,970             |
| Purchased water  | 466,755             | -                   |                            | 466,755             |
| Materials and supplies   | 320,647             | 229,131             |                            | 549,778             |
| Utilities  | 139,548             | 116,658             |                            | 256,206             |
| Rent   | 11,180              | 17,412              |                            | 28,592              |
| Other  | 27,941              | 35,977              |                            | 63,918              |
| Total operating expenses   | <u>2,443,410</u>    | <u>2,902,166</u>    | -                          | <u>5,345,576</u>    |
| Operating revenues over (under)<br>operating expenses  | (613,380)           | (481,060)           | -                          | (1,094,440)         |
| <b>Nonoperating revenues (expenses):</b>   |                     |                     |                            |                     |
| Interest income  | 353,921             | 228,276             |                            | 582,197             |
| Interest expense   | (405,282)           | (311,342)           |                            | (716,624)           |
| Other  | 46,631              | (4,155)             |                            | 42,476              |
| Net nonoperating revenues<br>(expenses)  | <u>(4,730)</u>      | <u>(87,221)</u>     | -                          | <u>(91,951)</u>     |
| Net expense (over) under revenues  | (618,110)           | (568,281)           | -                          | (1,186,391)         |
| Transfer to retained earnings current<br>depreciation and amortization on assets<br>acquired through contributed capital and<br>capital grants | <u>590,740</u>      | <u>1,096,470</u>    |                            | <u>1,687,210</u>    |
| Net change to retained earnings  | (27,370)            | 528,189             |                            | 500,819             |
| Retained Earnings - beginning  | <u>1,071,910</u>    | <u>2,232,516</u>    |                            | <u>3,304,426</u>    |
| Retained Earnings - ending   | <u>\$ 1,044,540</u> | <u>\$ 2,760,705</u> | <u>\$ -</u>                | <u>\$ 3,805,245</u> |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF CASH FLOWS BY DIVISION  
YEAR ENDED DECEMBER 31, 2000

|   | Water                      | Sewer                      | Elimination<br>Adjustments | Combined                   |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b><u>CASH FLOWS FROM OPERATIONS:</u></b>   |                            |                            |                            |                            |
| Excess of operating expenses over revenues  | \$ (621,900)               | \$ (656,265)               |                            | \$(1,278,165)              |
| Adjustments to reconcile to net cash:   |                            |                            |                            |                            |
| Depreciation and amortization   | 764,849                    | 1,393,015                  |                            | 2,157,864                  |
| Changes in operating assets and liabilities<br>that increase (decrease) cash flows: |                            |                            |                            |                            |
| Special assessments receivable  | (566,212)                  | (966,514)                  |                            | (1,532,726)                |
| Accounts receivable   | (216,887)                  | (105,101)                  | \$ (50,000)                | (371,988)                  |
| Inventory   | (3,532)                    | (470)                      |                            | (4,002)                    |
| Other   | 1,192                      | 1,632                      |                            | 2,824                      |
| Accounts payable  | 167,750                    | (386,485)                  |                            | (218,735)                  |
| Accrued payroll and payroll taxes   | 6,128                      | 9,093                      |                            | 15,221                     |
| Amounts due other governments   | (45,894)                   | (77,632)                   |                            | (123,526)                  |
| Total adjustments   | <u>107,394</u>             | <u>(132,462)</u>           | <u>(50,000)</u>            | <u>(75,068)</u>            |
| NET CASH USED BY OPERATIONS   | <u>(514,506)</u>           | <u>(788,727)</u>           | <u>(50,000)</u>            | <u>(1,353,233)</u>         |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</u></b>                        |                            |                            |                            |                            |
| Capital contributed   | 843,964                    | 1,206,141                  |                            | 2,050,105                  |
| Proceeds from capital grant   | 225,000                    | 365,261                    |                            | 590,261                    |
| System development fees   | 217,237                    | 361,782                    |                            | 579,019                    |
| Acquisition and construction of fixed assets,<br>net of related payables            | (1,398,484)                | (1,918,635)                |                            | (3,317,119)                |
| Proceeds on sale of fixed assets  | 2,220                      | 4,085                      |                            | 6,305                      |
| Proceeds from issuance of short-term notes  | 1,386,426                  | 4,390,574                  | 50,000                     | 5,827,000                  |
| Proceeds from issuance of long-term debt  | 1,536,791                  | 3,800,181                  |                            | 5,336,972                  |
| Repayment of short-term notes   | (2,139,426)                | (7,175,574)                |                            | (9,315,000)                |
| Repayment of long-term debt   | (196,216)                  | (354,833)                  |                            | (551,049)                  |
| Interest paid   | (408,422)                  | (426,490)                  |                            | (834,912)                  |
| NET CASH PROVIDED BY FINANCING  | <u>69,090</u>              | <u>252,492</u>             | <u>50,000</u>              | <u>371,582</u>             |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>                                 |                            |                            |                            |                            |
| Interest received   | 396,695                    | 362,960                    |                            | 759,655                    |
| Proceeds on sale of investments   | 208,280                    | -                          |                            | 208,280                    |
| Purchases of investments  | (368,281)                  | (334,755)                  |                            | (703,036)                  |
| NET CASH PROVIDED BY INVESTING  | <u>236,694</u>             | <u>28,205</u>              |                            | <u>264,899</u>             |
| <b><u>DECREASE IN CASH AND CASH EQUIVALENTS</u></b>                                 | <b><u>(208,722)</u></b>    | <b><u>(508,030)</u></b>    |                            | <b><u>(716,752)</u></b>    |
| Cash and cash equivalents - beginning of year                                       | <u>1,550,327</u>           | <u>3,580,277</u>           |                            | <u>5,130,604</u>           |
| <b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>                               | <b><u>\$ 1,341,605</u></b> | <b><u>\$ 3,072,247</u></b> | <b><u>\$ -</u></b>         | <b><u>\$ 4,413,852</u></b> |
| Restricted cash   | \$ 923,483                 | \$ 67,000                  |                            | \$ 990,483                 |
| Unrestricted cash   | <u>\$ 418,122</u>          | <u>\$ 3,005,247</u>        |                            | <u>\$ 3,423,369</u>        |

WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF CASH FLOWS BY DIVISION  
YEAR ENDED DECEMBER 31, 1999

|   | Water               | Sewer               | Elimination<br>Adjustments | Combined            |
|---|---------------------|---------------------|----------------------------|---------------------|
| <u>CASH FLOWS FROM OPERATIONS:</u>  |                     |                     |                            |                     |
| Excess of operating expenses over revenues  | \$ (613,380)        | \$ (481,060)        |                            | \$ (1,094,440)      |
| Adjustments to reconcile to net cash:   |                     |                     |                            |                     |
| Depreciation and amortization   | 769,470             | 1,443,385           |                            | 2,212,855           |
| Changes in operating assets and liabilities<br>that increase (decrease) cash flows: |                     |                     |                            |                     |
| Special assessments receivable  | 19,982              | (253,267)           |                            | (233,285)           |
| Accounts receivable   | 108,022             | (252,759)           | \$ 250,000                 | 105,263             |
| Inventory   | 9,921               | 6,637               |                            | 16,558              |
| Other   | 47,041              | 293                 |                            | 47,334              |
| Accounts payable  | 4,654               | 22,001              |                            | 26,655              |
| Accrued payroll and payroll taxes   | (15,643)            | (25,071)            |                            | (40,714)            |
| Amounts due other governments   | 40,745              | 93,902              |                            | 134,647             |
| Total adjustments   | <u>984,192</u>      | <u>1,035,121</u>    | <u>250,000</u>             | <u>2,269,313</u>    |
| NET CASH PROVIDED BY OPERATIONS   | <u>370,812</u>      | <u>554,061</u>      | <u>250,000</u>             | <u>1,174,873</u>    |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</u>                               |                     |                     |                            |                     |
| Capital contributed   | 823,443             | 655,258             |                            | 1,478,701           |
| Proceeds from capital grant   | -                   | 66,242              |                            | 66,242              |
| System development fees   | 206,650             | 444,289             |                            | 650,939             |
| Acquisition and construction of fixed assets,<br>net of related payables            | (1,129,869)         | (1,349,761)         |                            | (2,479,630)         |
| Proceeds on sale of fixed assets  | 1,368               | 6,732               |                            | 8,100               |
| Proceeds from issuance of short-term notes  | 953,000             | 5,985,000           | (250,000)                  | 6,688,000           |
| Proceeds from issuance of long-term debt  | 178,500             | 321,500             |                            | 500,000             |
| Repayment of short-term notes   | (1,516,000)         | (6,802,500)         |                            | (8,318,500)         |
| Repayment of long-term debt   | (201,763)           | (266,815)           |                            | (468,578)           |
| Interest paid   | (428,484)           | (349,369)           |                            | (777,853)           |
| NET CASH USED BY FINANCING  | <u>(1,113,155)</u>  | <u>(1,289,424)</u>  | <u>(250,000)</u>           | <u>(2,652,579)</u>  |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>  |                     |                     |                            |                     |
| Interest received   | 353,921             | 228,276             |                            | 582,197             |
| Proceeds on sale of investments   | 903,717             | 1,538,762           |                            | 2,442,479           |
| Purchases of investments  | (756,670)           | (1,286,983)         |                            | (2,043,653)         |
| NET CASH PROVIDED BY INVESTING  | <u>500,968</u>      | <u>480,055</u>      |                            | <u>981,023</u>      |
| <u>DECREASE IN CASH AND CASH EQUIVALENTS</u>  | <u>(241,375)</u>    | <u>(255,308)</u>    |                            | <u>(496,683)</u>    |
| Cash and cash equivalents - beginning of year                                       | <u>1,791,702</u>    | <u>3,835,585</u>    |                            | <u>5,627,287</u>    |
| <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>                                      | <u>\$ 1,550,327</u> | <u>\$ 3,580,277</u> | <u>\$ -</u>                | <u>\$ 5,130,604</u> |
| Restricted cash   | \$ 748,577          | \$ 805,809          |                            | \$ 1,554,386        |
| Unrestricted cash   | <u>\$ 801,750</u>   | <u>\$ 2,774,468</u> |                            | <u>\$ 3,576,218</u> |

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**weber • obrien Ltd.**

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

To the Board of Trustees  
Northwestern Water and Sewer District  
(formerly Wood County Regional Water and Sewer District)  
One Courthouse Square  
P.O. Box 348  
Bowling Green, Ohio 43402

We have audited the financial statements of Wood County Regional Water and Sewer District (District) (changed to Northwestern Water and Sewer District effective January 1, 2001) as of and for the year ended December 31, 2000, and have issued our report thereon dated May 3, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wood County Regional Water and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wood County Regional Water and Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to the management of Wood County Regional Water and Sewer District in a separate letter dated May 3, 2001.

Wood County Regional Water and Sewer District  
Page Two

This report is intended solely for the information of and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

Walter O'Brien, CEO

May 3, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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800-282-0370

Facsimile 614-466-4490

**WOOD COUNTY REGIONAL WATER AND SEWER DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 19, 2001**