

NORTHWESTERN WATER AND SEWER DISTRICT  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2004





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Northwestern Water and Sewer District, Wood County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 12, 2005

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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**NORTHWESTERN WATER AND SEWER DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year ended December 31, 2004**

| <u>Federal Grantor/Pass – Through Grantor Program Titles</u> | <u>CFDA<br/>Number</u> | <u>Grant<br/>Expenditures</u> |
|--|------------------------|-------------------------------|
| <b>U.S. Department of Agriculture</b>                        |                        |                               |
| Water and Waste Program                                      | 10.760                 | <u>\$ 1,224,671</u>           |
| Total expenditures of federal awards                         |                        | <u>\$ 1,224,671</u>           |

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1–Basis of presentation**

The federal grant operations are included in the scope of the Office of Management and Budget’s (OMB) Circular A-133 audit (Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Compliance Supplement for Single Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the combined financial statements.

The accompanying schedule of expenditures of federal awards includes all federal grants to the District which had activity during the year ended December 31, 2004. This schedule has been prepared on the cash basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grants.

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

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

We have audited the financial statements of Northwestern Water & Sewer District (the 'District') as of and for the year ended December 31, 2004, and have issued our report thereon dated April 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

### Compliance and Other Matters

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

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



April 15, 2005

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the compliance of Northwestern Water & Sewer District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

In our opinion, they complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Andrew L. Mahler,  
CPA, CVA, CFFA

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of Northwestern Water and Sewer District as of and for the year ended December 31, 2004, and have issued our report thereon dated April 15, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Gilmore, Jason ; Muller, LTD*

April 15, 2005

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2004**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

|   |               |
|---|---------------|
| Type of auditors’ report issued:  | Unqualified   |
| Internal control over financial reporting:  |               |
| • Material weakness(es) identified?   | No            |
| • Reportable condition(s) identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted?                                     | No            |

**Federal Awards**

|  |             |
|--|-------------|
| Internal control over major programs:  |             |
| • Material weakness(es) identified?  | No          |
| • Reportable condition(s) identified that are not considered to be material weakness(es)?                              | No          |
| Type of auditors’ report issued on compliance for major programs:  | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No          |

**Identification of major programs**

| <u>CFDA Number</u>  | <u>Name of Federal Program</u> |
|---|--------------------------------|
| 10.760  | USDA                           |
| Dollar threshold used to distinguish between type A and type B programs | \$300,000                      |
| Auditee qualified as low-risk auditee?                                  | Yes                            |

**Section II – Financial Statement Findings**

No matters were reported

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR AUDIT FINDINGS  
For the year ended December 31, 2004**

There were no reportable findings for the year ended December 31, 2003.

**NORTHWESTERN WATER AND SEWER DISTRICT**  
A POLITICAL SUBDIVISION OF THE STATE OF OHIO



NORTHWESTERN  
WATER AND SEWER  
DISTRICT

**Comprehensive Annual Financial Report**  
For the year ended December 31, 2004



NORTHWESTERN WATER AND SEWER DISTRICT  
A POLITICAL SUBDIVISION OF THE  
STATE OF OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2004

SUBMITTED BY:

Finance Department



**NOTHWESTERN WATER AND SEWER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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May 2, 2005

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

The Comprehensive Annual Report of the Northwestern Water and Sewer District (the "District") for the year ended December 31, 2004, is hereby submitted. This report conforms to Generally Accepted Accounting Principles (GAAP) including Governmental Accounting Standards Board Statements 34 through 38 as applicable. This report consists of management's representations concerning finances of the District. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

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

The comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, a list of the District's principal officials and a table of organization. The financial section includes the statements and related notes, required supplementary information and related notes. The report of the independent auditors, management's discussion and analysis, the 2004 financial statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis that is helpful in performing trend analysis.

The District is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this Single Audit, including a schedule of expenditures of federal awards and the independent auditor's report on compliance with requirements applicable to each major federal award program and internal control over compliance, is included in a separately issued Single Audit report.

As a recipient of federal and state financial assistance, the District is also responsible for establishing an adequate internal control structure to monitor and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and external auditors.

As part of the District's Single Audit, described earlier, tests were made by the District's external auditors of its internal control structure and compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing is not sufficient to support a separate opinion on the District's internal control system or its overall compliance with laws and regulations related to federal financial assistance programs, the audit for the year ended December 31, 2004 disclosed no material internal control weaknesses or material violations of laws and regulations.

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

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

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

## **PROFILE OF THE DISTRICT**

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

In 1991, the County of Wood, Ohio, together with five municipalities and 14 townships, petitioned the Court of Common Pleas of Wood County for the establishment of a regional water and sewer district under Chapter 6119, Ohio Revised Code, to assume ownership and operation of the water and sewer facilities owned and operated by the County. The Court created the District on May 18, 1992 and approved a formal plan of operation on September 29, 1993. The District is currently comprised of 6 municipalities and 18 townships.

The District has authority to levy taxes to pay current operating expenses or debt service charges only with a vote of a majority of its electors. The District may submit the question of issuing bonds of the District and levying a tax outside the ten-mill limitation

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Wood County is centrally located in the Toledo Trade Area, and is classified as belonging to the Toledo Metropolitan Statistical Area (MSA). The 2004 population of the MSA is estimated to be approximately 608,000, of which the County accounted for approximately 121,000 in 2004. The County is the second largest in the Toledo MSA.

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

Manufacturing is another critical component of the Wood County economy. Most manufacturing industries in the county are involved in either the production of food stuffs, automotive parts and sub-assemblies or machinery. However, the County has seen a diversification of its industrial tax base over the last several years. Based on 2003 data compiled by the Ohio Office of Workforce Development, manufacturing accounted for 33% of the Wood County employment base. This was followed by service providing at 32% and trade, transportation and utilities at 12%. The average per year salary by manufacturing employees in the county in 2003 was \$46,978.

Higher education is also of major significance to the Wood County economy. Bowling Green State University, located in the City of Bowling Green, serves as the center of this activity. For the 2003-04 school year, the university had 18,700 students, 820 full-time and 334 part-time faculty members as well as 1,911 full and part-time administrative and classified staff. Students, faculty and staff members contribute heavily to the economy of Wood County.

During 2004, 526 building permits were issued for single family residential construction in Wood County.

## **Accounting Systems**

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

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

**Budgetary Controls** General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Executive Director is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply. Readers should refer to the schedule of Revenues, Expenses and Changes in Net Assets-Budget to Actual on page F41 of this report.

## **Cash Management**

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

## **Risk Management**

Medical, dental, vision and drug card insurance is purchased from Wood County Commissioners in Ohio through a cooperative arrangement. The District pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. The District maintains other insurance coverage for liability, property and crime. There have been no significant reductions in insurance coverage from 2003, and no insurance settlement has exceeded insurance coverage during the last three years. Note 8 to the audited financial statements discloses information about risk management.

## **Debt Administration**

At year-end, the District had debt outstanding of \$26,531,850. Outstanding bonds of the District are rated A3 by Moody's and A+ by Standard & Poor's rating agencies. The District has a MIG-1 rating from Moody's on short-term borrowing. Notes 4 and 5 to the audited financial statements include schedules of debt outstanding and future debt service requirements.

## **DISTRICT MAJOR INITIATIVES**

### **2004 Award**

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

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwestern Water and Sewer District for its Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2003. This was the initial year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Rudolph Sewer Project**

The Wood County Health Department had ordered the septic systems in the unincorporated village of Rudolph replaced with a central sewer collection system. The District planned this project and began construction in 2003 with completion occurring in 2004. This project removed 211 septic systems which contribute to pollution and stream degradation.

## **Jerry City Water Line Project**

The District completed a water line project that will provide a higher quality of water to residents of the Village of Jerry City and the new Elmwood School. Prior to this project, residents had water provided through individual wells that produced water with a high sulphur content. This project was completed in 2004.

## **City of Oregon Water Treatment Plant Expansion**

The District has agreed contractually to fund a portion of the cost to expand the City of Oregon water treatment plant expansion in order to receive an 11.58% allocation of the plant production. During 2004, the District contributed \$493,687 towards phase III expansion construction. The District anticipates contributing approximately \$600,000 over the next two years towards phases IV and V. This will insure the District long-term water capacity for the Oregon service area.

## **Water and Sewer Master Plan Update**

The District has a current master plan for both water and sewer service within Wood County that was discussed in public meetings and approved by the Board approximately ten years ago. During 2005, the District will update both the water and sewer master plans in order to provide a “road map” for future projects within the District’s service area reflecting recent service provider agreements, new development and various land use changes.

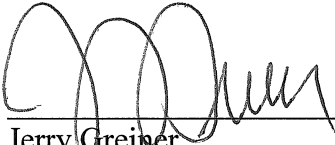
## **INDEPENDENT AUDIT**

Included in this report is an unqualified opinion rendered on the District’s financial statements for the year ended December 31, 2004, by Gilmore, Jasion and Mahler LTD., a firm of licensed independent certified public accounts. As part of the preparation of the comprehensive annual financial report, the District subjects its financial statements to an annual audit. The annual audit serves to strengthen the District’s accounting, internal and budgetary controls.

## **ACKNOWLEDGEMENTS**

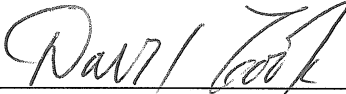
The preparation of this comprehensive annual financial report would not have been possible without the efficient and dedicated services of all of the district departments and their staff. A special acknowledgement goes to Valerie Megyesi, Accounting Manager, for her dedication to details in preparing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

Respectfully submitted.



---

Jerry Greiner  
Executive Director



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Dave E. Cook  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northwestern  
Water & Sewer District,  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

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



*Nancy L. Zjella*

President

*Jeffrey R. Emer*

Executive Director



DISTRICT OFFICIALS

DECEMBER 31, 2004

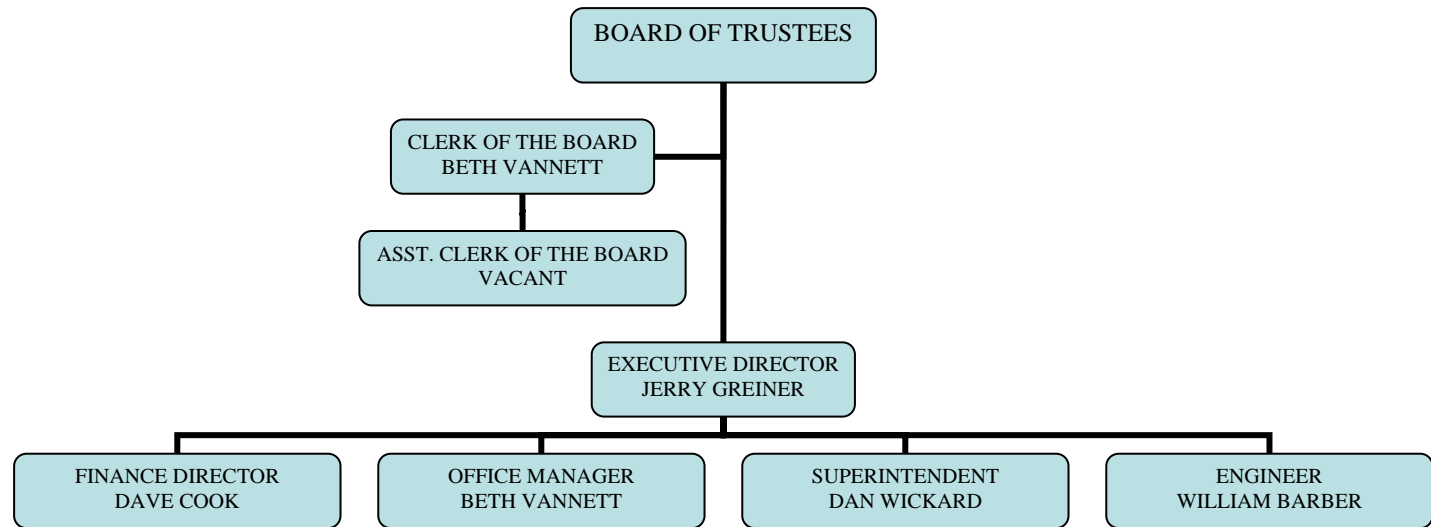
**Board of Trustees**

| <u>Office</u>             | <u>Name</u>           | <u>Date Originally Installed</u> | <u>Term Expires</u> |
|---------------------------|-----------------------|----------------------------------|---------------------|
| President.....            | Phillip Shaffer ..... | 1/13/05                          | 12/31/07            |
| Vice President .....      | John Ault.....        | 7/21/92                          | 12/31/06            |
| Secretary/Treasurer ..... | John M. Current ..... | 7/21/92                          | 12/31/08            |
| Member .....              | Lyle Schulte .....    | 1/13/05                          | 12/31/07            |
| Member .....              | Paul Brim .....       | 1/1/94                           | 12/31/06            |
| Member .....              | John A. Cheney .....  | 1/13/05                          | 12/31/07            |
| Member .....              | Terry D. Murray.....  | 11/18/04                         | 12/31/08            |
| Member .....              | Alex Molner .....     | 11/1/97                          | 12/31/06            |
| Member .....              | Henry F. Moyer.....   | 7/21/92                          | 12/31/08            |

**Senior Staff**

|                        |                    |
|------------------------|--------------------|
| Jerry R. Greiner.....  | Executive Director |
| William J. Barber..... | Engineer           |
| Dan E. Wickard.....    | Superintendent     |
| Dave E. Cook.....      | Finance Director   |
| Beth A. Vannett.....   | Office Manger      |

ORGANIZATIONAL CHART  
NORTHWESTERN WATER AND SEWER DISTRICT  
DECEMBER 31, 2004



Number of Employees by Department

|                                   |    |
|-----------------------------------|----|
| Executive                         | 1  |
| Engineering                       | 6  |
| Operations                        | 2  |
| Office                            | 6  |
| Total Employees December 31, 2003 | 35 |

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Northwestern Water & Sewer District (The "District") as of December 31, 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides 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, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2003 financial statements of Northwestern Water & Sewer District were audited by other auditor's whose report, dated May 18, 2004 stated that they were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 15, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District taken as a whole. The additional information on pages F31 – F39, 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 audit of the financial statements and in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole. The supplementary information for the year ended December 31, 2003 was audited by other auditors whose report, dated May 18, 2004 expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we express no opinion on them.

*Gilmore, Jason & Mahler, LTD*

April 15, 2005

## NORTHWESTERN WATER & SEWER DISTRICT

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

The following discussion provides a summary overview of the financial activities of the Northwestern Water & Sewer District ("District") for the year ended December 31, 2004. This information should be read in conjunction with the letter of transmittal and basic financial statements included in this report.

#### Financial Highlights

- Assets exceeded liabilities by \$83,613,935 as of December 31, 2004.
- Net assets increased by \$4,396,678 in 2004.
- Of the increase in net assets, \$2,525,706, or 57% was attributable to investment in capital assets, net of related debt. The remaining increase of \$1,870,972 was \$1,678,053 increase in unrestricted net assets and \$192,919 decrease in restricted assets.
- Debt increased \$1,453,051. Retirements of debt principal were \$6,380,845 and new issues of debt principal were \$7,833,896.

#### Overview of the Financial Statements

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

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

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

The tables below provide a summary of the District's financial position and operations for 2004 and 2003 respectively. The District implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* in 2003. Certain amounts may vary slightly due to differences caused by rounding to thousands.

**NORTHWESTERN WATER & SEWER DISTRICT**

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

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

|                            | 2004            | 2003            | <u>Change</u><br>Amount | %            |
|----------------------------|-----------------|-----------------|-------------------------|--------------|
| <u>Assets</u>              |                 |                 |                         |              |
| Current assets             | \$17,010        | \$16,110        | \$ 900                  | 5.6 %        |
| Capital assets, net        | 85,516          | 81,716          | 3,800                   | 4.6          |
| Other noncurrent assets    | 9,342           | 8,249           | 1,093                   | 13.2         |
| <b>Total assets</b>        | <b>111,868</b>  | <b>106,075</b>  | <b>5,793</b>            | <b>5.5</b>   |
| <u>Liabilities</u>         |                 |                 |                         |              |
| Current liabilities        | 3,099           | 6,429           | (3,330)                 | (51.8 )      |
| Long-term debt             | 25,155          | 20,429          | 4,726                   | 23.1         |
| <b>Total liabilities</b>   | <b>28,254</b>   | <b>26,858</b>   | <b>1,396</b>            | <b>5.2</b>   |
| <u>Net assets</u>          |                 |                 |                         |              |
| Invested in capital assets | 61,550          | 59,024          | 2,526                   | 4.3          |
| Restricted                 | 2,500           | 2,306           | (194)                   | (8.4)        |
| Unrestricted               | 19,564          | 17,886          | 1,678                   | 9.4          |
| <b>Total net assets</b>    | <b>\$83,614</b> | <b>\$79,217</b> | <b>\$4,397</b>          | <b>5.6 %</b> |

During 2004, net assets increased by \$4,397,678. The majority of this increase was due to the following:

- Investments increased by \$2,011,138.
- Special assessments increased by \$1,417,336.
- Depreciable capital assets increased by \$9,420,494 offset by related depreciation increased by \$2,571,136 due mainly to construction of water and sewer lines.
- Long-term debt increased by \$4,726,285 and short-term debt decreased by \$3,273,234, related to borrowing for construction projects.

**NORTHWESTERN WATER & SEWER DISTRICT**

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

The following table summarizes the changes in revenues and expenses for the District between 2004 and 2003:

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

|   | 2004           | 2003           | <u>Change</u><br>Amount | %              |
|---|----------------|----------------|-------------------------|----------------|
| <u>Operating revenue</u>                                |                |                |                         |                |
| Utility revenue   | \$4,655        | \$4,603        | \$52                    | 1.1%           |
| Fees and permits  | 470            | 377            | 93                      | 24.7           |
| Contract services                                       | 172            | 163            | 9                       | 5.5            |
| Other   | 98             | 77             | 21                      | 27.3           |
| <b>Total operating revenues</b>                         | <b>5,395</b>   | <b>5,220</b>   | <b>175</b>              | <b>3.4</b>     |
| <u>Operating expenses</u>                               |                |                |                         |                |
| Depreciation & amortization                             | 2,983          | 2,610          | 373                     | 14.2           |
| Labor   | 1,319          | 1,304          | 15                      | 1.2            |
| Employee benefits                                       | 481            | 478            | 3                       | .6             |
| Professional services                                   | 306            | 274            | 32                      | 11.7           |
| Purchased water & sewage treat.                         | 715            | 628            | 87                      | 13.7           |
| Materials and supplies                                  | 594            | 406            | 188                     | 46.3           |
| Utilities   | 268            | 274            | (6)                     | (2.2)          |
| Rent  | 6              | 5              | 1                       | 20.0           |
| Other   | 277            | 155            | 122                     | 78.7           |
| <b>Total operating expenses</b>                         | <b>6,949</b>   | <b>6,134</b>   | <b>815</b>              | <b>13.3</b>    |
| Operating loss  | (1,554)        | (916)          | (638)                   | (69.7)         |
| <u>Nonoperating revenues</u><br><u>(expenses)</u>       |                |                |                         |                |
| Interest income   | 738            | 640            | 98                      | 15.3           |
| Interest expense  | (1,114)        | (1,065)        | (49)                    | (4.7)          |
| Other income (expense)                                  | 279            | (72)           | 351                     | 487.5          |
| <b>Total nonoperating revenues</b><br><b>(expenses)</b> | <b>(97)</b>    | <b>(497)</b>   | <b>400</b>              | <b>80.5</b>    |
| Excess expenses   | (1,651)        | (1,413)        | (238)                   | (16.8)         |
| <b>Aid in construction</b>                              | <b>6,048</b>   | <b>7,541</b>   | <b>(1,493)</b>          | <b>(19.8)</b>  |
| <b>Changes in net assets</b>                            | <b>\$4,397</b> | <b>\$6,128</b> | <b>\$(1,731)</b>        | <b>(28.3)%</b> |



## NORTHWESTERN WATER & SEWER DISTRICT

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

Operating revenue consists mainly of user charges for water and sewage service based on water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2004:

- Operating revenue increased by \$174,365 compared to 2003. This increase was due primarily to rate increases and an expanded customer base in 2004.
- Operating expenses increased by \$801,889 compared to 2003. Operations expense primarily increased due to increase in purchased water and sewage treatment costs and increased repairs and maintenance supplies usage in 2004. Depreciation increased due to capital construction projects being completed during 2004.

Nonoperating revenues (expenses) increased by \$388,964. This was mainly due to interest income increasing by \$98,735 in 2004 over 2003. Other income increased by \$339,414 over 2003 due mainly to a gain in the sale of the northeast operations facility in 2004. Aid in construction decreased by \$1,493,251 in 2004. This was due mainly to lower front footage and unit assessments, and lower grants received in 2004 versus 2003.

#### Capital Assets

At the end of 2004, the District had \$85,515,594 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$4.0 million, or 4.6% over 2003.

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

|  | 2004     | 2003     | Change  |        |
|--|----------|----------|---------|--------|
|  |          |          | Amount  | %      |
| Land                                   | \$293    | \$201    | \$ 92   | 45.8%  |
| Construction in Progress               | 829      | 3,972    | (3,143) | (79.1) |
| Water and Sewer Lines                  | 74,107   | 67,681   | 6,426   | 9.5    |
| Buildings, structures and improvements | 8,915    | 8,413    | 502     | 6.0    |
| Equipment                              | 1,371    | 1,450    | (79)    | 5.4    |
| Totals                                 | \$85,515 | \$81,717 | \$3,798 | 4.7%   |

## NORTHWESTERN WATER & SEWER DISTRICT

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

Major additions in 2004, at cost included:

Sewer Lines:

|                |         |
|----------------|---------|
| Rudolph Sewers | \$2,044 |
|----------------|---------|

Water Lines:

|                       |       |
|-----------------------|-------|
| Jerry City Water Line | 2,619 |
|-----------------------|-------|

|           |            |
|-----------|------------|
| Bays Road | <u>838</u> |
|-----------|------------|

|  |                |
|--|----------------|
|  | <u>\$5,501</u> |
|--|----------------|

#### Debt Administration

At December 31, 2004 the District had total debt outstanding of \$26,531,850 compared to \$25,078,799 at December 31, 2003. This represents an increase of \$1,453,051. During 2004 the District issued \$7,833,896 of new debt and repaid \$6,380,845 in principal on outstanding debt. The District has ratings on its long term debt of A3 from Moody's Investor Service and A+ from Standard and Poor's. The District also has a rating of MIG-1 from Moody's on its short-term debt.

This information should be read in conjunction with Notes 4 and 5 to the audited financial statements for more detailed information on long-term debt.

#### Outstanding Debt at December 31,

(In Thousands)

|  | <u>2004</u>          | <u>2003</u>          |
|--|----------------------|----------------------|
| Revenue Bonds and Notes                | \$ 9,238,309         | \$ 6,832,561         |
| Special Assessment Bonds and Notes     | 7,311,000            | 8,139,539            |
| Ohio Water Development Authority Loans | 9,256,473            | 9,550,457            |
| Ohio Public Works Commission Loans     | <u>726,068</u>       | <u>556,242</u>       |
| Total Debt                             | <u>\$ 26,531,850</u> | <u>\$ 25,078,799</u> |

## **NORTHWESTERN WATER & SEWER DISTRICT**

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

#### **Economic Factors**

Based on a rate study, sewer rates were unchanged for 2004. Water rates were increased by 4%, effective January 1, 2004. Utility revenues for 2004 increased \$51,261 or 1.1% over 2003. In addition to the water rate increases were water volume increase in 2003 of 4.6% and sewer volume decrease of 4.6% respectively. A new rate study was conducted during 2004 and based on this study, sewer rates are scheduled to increase 4% for 2005 and water rates will increase by 4% effective January 1, 2005. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every two years.

#### **Budgetary Highlights**

There were no differences between the original and final budget amounts for 2004. The differences between the final budget amounts and actual results for 2004 resulted in a favorable variance of \$450,381 in the excess of expenses over revenues.

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

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2004 and 2003**

|  | <b>2004</b>  | <b>2003</b>  |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| <b>Current assets</b>  |              |              |
| Cash and cash equivalents-unrestricted (Note 2)  | \$ 1,835,166 | \$ 3,359,240 |
| Cash and cash equivalents-restricted (Note 2)  | 1,151,941    | 53           |
| Investments-unrestricted (Note 2)  | 9,252,733    | 6,292,626    |
| Investments-restricted (Note 2)  | 1,347,916    | 2,306,885    |
| Accounts receivable - trade  | 1,985,944    | 2,320,160    |
| Other receivables  | 0            | 959,103      |
| Current portion of special assessments   | 1,137,908    | 535,172      |
| Inventory  | 246,519      | 282,802      |
| Prepaid expenses   | 52,117       | 53,458       |
| Total current assets   | 17,010,244   | 16,109,499   |
| <b>Capital assets (Note 3, 4 and 5)</b>  |              |              |
| Sewer and water lines  | 117,906,764  | 109,235,269  |
| Buildings, pumps and lift stations   | 8,664,207    | 8,419,418    |
| Machinery and equipment  | 2,198,183    | 2,081,018    |
| Vehicles   | 973,267      | 893,013      |
| Furniture and fixtures   | 193,405      | 209,288      |
| Computer equipment   | 393,295      | 466,535      |
| Improvements - Oregon waste water treatment plant  | 4,916,968    | 4,521,054    |
| Total depreciable capital assets   | 135,246,089  | 125,825,595  |
| Accumulated depreciation and amortization  | (50,852,768) | (48,281,632) |
| Net depreciable capital assets   | 84,393,321   | 77,543,963   |
| Land   | 292,928      | 200,578      |
| Construction in progress   | 829,345      | 3,972,068    |
| Net capital assets   | 85,515,594   | 81,716,609   |
| <b>Other assets</b>  |              |              |
| Special assessments, less current portion  | 8,655,660    | 7,841,060    |
| Reserve with county commissioners (Note 6)   | 258,769      | 258,769      |
| Deferred loan costs, net of accumulated<br>amortization of \$32,485 and \$14,133, respectively | 66,192       | 79,339       |
| Miscellaneous  | 361,674      | 69,542       |
| Total other assets   | 9,342,295    | 8,248,710    |
| Total assets   | 111,868,133  | 106,074,818  |

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

**NORTHWESTERN WATER & SEWER DISTRICT  
STATEMENTS OF NET ASSETS, CONTINUED  
December 31, 2004 and 2003**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
| <b>LIABILITIES AND NET ASSETS</b>               |               |               |
| <b>Current liabilities</b>                      |               |               |
| Notes payable (Note 4)                          | \$ 0          | \$ 3,479,339  |
| Current portion of long-term debt (Note 5)      | 1,377,095     | 1,170,990     |
| Accounts payable - trade                        | 546,629       | 527,957       |
| Accounts payable - other                        | 0             | 97,774        |
| Compensated absences payable (Note 8)           | 143,661       | 145,107       |
| Accrued payroll and payroll taxes               | 132,458       | 108,727       |
| Accrued interest payable                        | 495,905       | 461,180       |
| Accounts due others                             | 403,695       | 438,017       |
| Total current liabilities                       | 3,099,443     | 6,429,091     |
| Long-term debt, less current portion (Note 5)   | 25,154,755    | 20,428,470    |
| Total liabilities                               | 28,254,198    | 26,857,561    |
| <b>Net assets</b>                               |               |               |
| Invested in capital assets, net of related debt | 61,549,793    | 59,024,087    |
| Restricted                                      | 2,499,857     | 2,306,938     |
| Unrestricted                                    | 19,564,285    | 17,886,232    |
| Total net assets                                | \$ 83,613,935 | \$ 79,217,257 |

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For The Years Ended December 31, 2004 and 2003**

|   | <b>2004</b>   | <b>2003</b>   |
|---|---------------|---------------|
| <b>Operating revenues</b>               |               |               |
| Utility revenue                         | \$ 4,655,021  | \$ 4,603,760  |
| Fees and permits                        | 469,832       | 376,909       |
| Contract services                       | 171,713       | 162,763       |
| Other                                   | 98,180        | 76,949        |
| Total operating revenues                | 5,394,746     | 5,220,381     |
| <b>Operating expenses</b>               |               |               |
| Depreciation and amortization           | 2,983,019     | 2,609,766     |
| Labor                                   | 1,318,920     | 1,303,472     |
| Employee benefits                       | 480,711       | 478,086       |
| Professional services                   | 306,209       | 274,369       |
| Purchased water and sewer treatment     | 714,639       | 628,877       |
| Materials and supplies                  | 593,570       | 406,470       |
| Utilities                               | 267,780       | 274,346       |
| Rent                                    | 6,322         | 5,176         |
| Other                                   | 277,327       | 155,193       |
| Total operating expenses                | 6,948,497     | 6,135,755     |
| Operating loss                          | (1,553,751)   | (915,374)     |
| <b>Nonoperating revenues (expenses)</b> |               |               |
| Interest income                         | 738,452       | 639,717       |
| Interest expense                        | (1,114,517)   | (1,065,332)   |
| Other income (expense)                  | 278,577       | (71,690)      |
| Net nonoperating expenses               | (97,488)      | (497,305)     |
| <b>Aid in construction</b>              | 6,047,917     | 7,541,168     |
| <b>Change in net assets</b>             | 4,396,678     | 6,128,489     |
| <b>Net assets - beginning</b>           | 79,217,257    | 73,088,768    |
| <b>Net assets - ending</b>              | \$ 83,613,935 | \$ 79,217,257 |

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2004 and 2003**

|   | <b>2004</b>  | <b>2003</b>  |
|---|--------------|--------------|
| <b>Cash flows from operations</b>                                   |              |              |
| Cash received from customers  | \$ 5,253,961 | \$ 5,183,278 |
| Cash payments to suppliers for goods and services                   | (2,441,210)  | (1,528,917)  |
| Cash payments to employees for services                             | (1,777,346)  | (1,748,511)  |
| Net cash provided by operations                                     | 1,035,405    | 1,905,850    |
| <br><b>Cash flows from capital and related financing activities</b> |              |              |
| Aid in construction   | 1,345,906    | 662,405      |
| Proceeds from capital grant   | 1,693,879    | 369,500      |
| System development fees   | 1,169,630    | 1,231,763    |
| Acquisition and construction of capital assets                      | (4,075,375)  | (6,268,971)  |
| Proceeds from issuance of short-term notes                          | 0            | 2,430,079    |
| Proceeds from issuance of long-term debt                            | 6,086,136    | 4,392,981    |
| Repayment of short-term notes                                       | (3,479,339)  | (1,098,832)  |
| Repayment of long-term debt   | (1,153,746)  | (4,025,675)  |
| Collections on special assessments                                  | (602,736)    | 474,417      |
| Increase in capital asset payable                                   | (97,774)     | 15,134       |
| Interest paid   | (1,079,792)  | (1,083,098)  |
| Net cash used in capital and related financing activities           | (193,211)    | (2,900,297)  |
| <br><b>Cash flows from investing activities</b>                     |              |              |
| Interest received   | 738,452      | 639,717      |
| Proceeds on sale of investments                                     | 7,809,185    | 12,838,280   |
| Purchases of investments  | (9,762,017)  | (12,406,490) |
| Net cash provided by (used in) investing activities                 | (1,214,380)  | 1,071,507    |
| <br>Increase (decrease) in cash and cash equivalents                | (372,186)    | 77,060       |
| <br>Cash and cash equivalents - beginning of the year               | 3,359,293    | 3,282,233    |
| <br>Cash and cash equivalents - end of year                         | \$ 2,987,107 | \$ 3,359,293 |
| <br>Restricted cash   | \$ 1,151,941 | \$ 53        |
| Unrestricted cash   | \$ 1,835,166 | \$ 3,359,240 |

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

**NORTHWESTERN WATER & SEWER DISTRICT  
STATEMENTS OF CASH FLOWS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

|   | <b>2004</b>    | <b>2003</b>  |
|---|----------------|--------------|
| <b>Cash flows from Operations</b>   |                |              |
| Operating loss  | \$ (1,553,751) | \$ (915,374) |
| Adjustments to reconcile to net cash provided by operating activities               |                |              |
| Depreciation and amortization   | 2,983,019      | 2,609,766    |
| Changes in operating assets and liabilities<br>that increase (decrease) cash flows: |                |              |
| Accounts receivable   | (140,785)      | (37,103)     |
| Inventory   | 36,283         | (92,656)     |
| Other   | (297,442)      | (62,321)     |
| Accounts payable  | 18,672         | 368,760      |
| Accrued payroll and related taxes   | 23,731         | 15,405       |
| Amounts due to others   | (34,322)       | 19,373       |
| Total adjustments   | 2,589,156      | 2,821,224    |
| Net cash provided by operations   | \$ 1,035,405   | \$ 1,905,850 |

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



**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended December 31, 2004 and 2003**

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

**Reporting Entity**

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

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

The District is authorized to issue revenue bonds and notes to finance the cost of projects which are payable from the revenues of the District. The District is also authorized to levy taxes for the current expenses of the District or for the issuance of bonds upon approval of a majority of the electorate. The District 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.

**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.

The District follows GASB guidance as the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB Pronouncements. .

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

**Measurement Focus**

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

**Use of Estimates**

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

**Budgetary Process**

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

**Cash and Cash Equivalents**

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

**Accounts Receivable - Trade**

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

**Deferred Loan Costs**

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

**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.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

**Inventory**

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

**Capital Assets**

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

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 capital asset projects. The projects are funded through Board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District capitalized interest of \$71,360 and \$33,300 for the years ended December 31, 2004 and 2003, respectively.

**Investments**

Investments are stated at fair value.

**Compensated Absences**

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

**Revenues and Expenses**

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

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

**Aid in Construction**

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

**Net Assets**

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

The District's Board of Trustees has designated unrestricted net assets of \$8,644,888 and \$7,443,929 as of December 31, 2004 and 2003, respectively for capital and operating expenditures, and debt service. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board.

**User Rates and Expenses**

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

**Comparative Data/Reclassifications**

Comparative data for the prior year is presented in order to provide an understanding of the changes in financial position and operations.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

**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 \$1,853,766 and \$3,359,240 at December 31, 2004 and 2003, respectively. The following shows the bank balances of the District's deposits in each category:

- Category 1.     \$100,000 was covered by federal depository insurance.
- Category 3.     \$1,939,388 and \$3,517,292 as of December 31, 2004 and 2003, respectively, was covered by collateral held by the pledging financial institution, but not in the name of the District.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

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

|  |                     |                     |
|--|---------------------|---------------------|
|  | <u>2004</u>         | <u>2003</u>         |
| Unrestricted Deposits                        | \$ 1,835,166        | \$ 3,359,240        |
| Unrestricted Cash Equivalents                | <u>0</u>            | <u>0</u>            |
| Unrestricted Cash and Cash Equivalents Total | <u>\$ 1,835,166</u> | <u>\$ 3,359,240</u> |
| <br>   |                     |                     |
| Debt Restricted Cash Equivalents             | <u>\$ 1,151,941</u> | <u>\$ 53</u>        |

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**Investments**

State Statute and Board Resolutions authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. 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 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, 2004 and 2003.

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.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

**Investments, Continued**

The District's investments consist of the following:

| <u>INVESTMENT</u>                              | <u>2004</u>                 |                                 | <u>2003</u>                 |                                 |
|--|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
|  | <u>CATEGORY</u><br><u>B</u> | <u>CARRYING/<br/>FAIR VALUE</u> | <u>CATEGORY</u><br><u>B</u> | <u>CARRYING/<br/>FAIR VALUE</u> |
| U.S. Treasuries and Federal Agency Obligations | \$8,253,702                 | \$8,253,702                     | \$7,489,810                 | \$7,489,810                     |
| Money Market Mutual Funds                      | 2,346,947                   | 2,346,947                       | 1,109,107                   | 1,109,701                       |
| STAR Ohio                                      |                             | <u>1,133,341</u>                |                             | <u>53</u>                       |
| Total Investments (including restricted)       |                             | <u>\$11,733,990</u>             |                             | <u>\$8,599,564</u>              |

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 are as follows:

|                                   | <u>2004</u>        |                      | <u>2003</u>         |                     |
|-----------------------------------|--------------------|----------------------|---------------------|---------------------|
|                                   | <u>Cash</u>        | <u>Investments</u>   | <u>Cash</u>         | <u>Investments</u>  |
| GASB Statement No. 9 Investments: | \$2,987,107        | \$ 10,600,649        | \$ 3,359,293        | \$ 8,599,511        |
| STAR Ohio                         | <u>(1,133,341)</u> | <u>1,133,341</u>     | <u>(53)</u>         | <u>53</u>           |
| GASB Statement No. 3              | <u>\$1,853,766</u> | <u>\$ 11,733,990</u> | <u>\$ 3,359,240</u> | <u>\$ 8,599,564</u> |

Classification in the Statement of Net Assets:

|                                | <u>2004</u>         | <u>2003</u>         |
|--------------------------------|---------------------|---------------------|
| Cash and Equivalents:          |                     |                     |
| Current                        | \$ 1,835,166        | \$ 3,359,240        |
| Restricted for debt retirement | <u>1,151,941</u>    | <u>53</u>           |
| Total                          | <u>\$ 2,987,107</u> | <u>\$ 3,359,293</u> |
| Investments:                   |                     |                     |
| Current                        | \$ 9,252,733        | \$ 6,292,626        |
| Restricted for debt retirement | <u>1,347,916</u>    | <u>2,306,885</u>    |
| Total                          | <u>\$10,600,649</u> | <u>\$ 8,599,511</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2004 and 2003**

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2004 is as follows:

|                                     | <u>Balance at</u><br><u>December 31, 2003</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance at</u><br><u>December 31, 2004</u> |
|-------------------------------------|---|------------------|--------------------|------------------|---|
| <b>Non-depreciable</b>              |   |                  |                    |                  |   |
| Land                                | \$ 200,578                                    | \$ 0             | \$ 53,240          | \$ 145,590       | \$ 292,928                                    |
| Construction in progress            | 3,972,068                                     | 3,729,245        |                    | (6,871,968)      | 829,345                                       |
| Total non-depreciable               | 4,172,646                                     | 3,729,245        | 53,240             | (6,726,378)      | 1,122,273                                     |
| <b>Depreciable</b>                  |   |                  |                    |                  |   |
| Sewer and water lines               | 109,235,269                                   | 2,458,005        |                    | 6,213,490        | 117,906,764                                   |
| Buildings, pumps and lift stations  | 8,419,418                                     | 14,249           | 214,690            | 445,230          | 8,664,207                                     |
| Machinery and equipment             | 2,081,018                                     | 100,340          | 50,833             | 67,658           | 2,198,183                                     |
| Vehicles                            | 893,013                                       | 100,687          | 20,433             |                  | 973,267                                       |
| Furniture and fixtures              | 209,288                                       | 562              | 16,445             |                  | 193,405                                       |
| Computer equipment                  | 466,535                                       | 29,468           | 102,708            |                  | 393,295                                       |
| Improvements - Oregon waste         |   |                  |                    |                  |   |
| Water treatment plant               | 4,521,054                                     | 395,914          |                    |                  | 4,916,968                                     |
| Total depreciable cost              | 125,825,595                                   | 3,099,225        | 405,109            | 6,726,378        | 135,246,089                                   |
| Totals at historical cost           | 129,998,241                                   | 6,828,470        | 458,349            | 0                | 136,368,362                                   |
| <b>Accumulated depreciation</b>     |   |                  |                    |                  |   |
| Sewer and water lines               | 41,553,985                                    | 2,250,450        |                    |                  | 43,804,435                                    |
| Buildings, pumps and lift stations  | 3,634,291                                     | 218,192          | 205,526            |                  | 3,646,957                                     |
| Machinery and equipment             | 1,139,460                                     | 229,647          | 49,158             |                  | 1,319,949                                     |
| Vehicles                            | 751,831                                       | 65,306           | 20,433             |                  | 796,704                                       |
| Furniture and fixtures              | 40,487  | 19,907           | 16,445             |                  | 43,949  |
| Computer equipment                  | 268,503                                       | 60,054           | 101,969            |                  | 226,588                                       |
| Improvements - Oregon waste         |   |                  |                    |                  |   |
| Water treatment plant               | 893,075                                       | 121,111          |                    |                  | 1,014,186                                     |
| Total accumulated depreciation      | 48,281,632                                    | 2,964,667        | 393,531            | 0                | 50,852,768                                    |
| Capital assets, net                 | \$ 81,716,609                                 | \$ 3,863,803     | \$ 64,818          | \$ 0             | \$ 85,515,594                                 |
| <b>Depreciation expense charged</b> |   |                  |                    |                  |   |
| to operating expense                |   | \$ 2,964,667     |                    |                  |   |



**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2004 and 2003**

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

Capital asset activity for the year ended December 31, 2003 is as follows:

|                                     | <u>Balance at</u><br><u>December 31, 2002</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance at</u><br><u>December 31, 2003</u> |
|-------------------------------------|---|------------------|--------------------|------------------|---|
| <b>Non-depreciable</b>              |   |                  |                    |                  |   |
| Land                                | \$ 200,578                                    | \$ 0             | \$ 0               | \$ 0             | \$ 200,578                                    |
| Construction in progress            | 2,937,443                                     | 5,045,578        |                    | (4,010,953)      | 3,972,068                                     |
| Total non-depreciable               | 3,138,021                                     | 5,045,578        | 0                  | (4,010,953)      | 4,172,646                                     |
| <b>Depreciable</b>                  |   |                  |                    |                  |   |
| Sewer and water lines               | 103,781,229                                   | 1,443,087        |                    | 4,010,953        | 109,235,269                                   |
| Buildings, pumps and lift stations  | 8,670,434                                     | 39,215           |                    | (290,231)        | 8,419,418                                     |
| Machinery and equipment             | 1,867,531                                     | 180,802          |                    | 32,685           | 2,081,018                                     |
| Vehicles                            | 871,248                                       | 21,765           |                    |                  | 893,013                                       |
| Furniture and fixtures              | 46,613  | 11,690           |                    | 150,985          | 209,288                                       |
| Computer equipment                  | 323,962                                       | 42,972           | 6,960              | 106,561          | 466,535                                       |
| Improvements - Oregon waste         |   |                  |                    |                  |   |
| Water treatment plant               | 3,589,929                                     | 931,125          |                    |                  | 4,521,054                                     |
| Total depreciable cost              | 119,150,946                                   | 2,670,656        | 6,960              | 4,010,953        | 125,825,595                                   |
| Totals at historical cost           | 122,288,967                                   | 7,716,234        | 6,960              | 0                | 129,998,241                                   |
| <b>Accumulated depreciation</b>     |   |                  |                    |                  |   |
| Sewer and water lines               | 39,519,050                                    | 2,034,935        |                    |                  | 41,553,985                                    |
| Buildings, pumps and lift stations  | 3,428,386                                     | 205,905          |                    |                  | 3,634,291                                     |
| Machinery and equipment             | 922,482                                       | 216,978          |                    |                  | 1,139,460                                     |
| Vehicles                            | 671,964                                       | 79,867           |                    |                  | 751,831                                       |
| Furniture and fixtures              | 30,080  | 10,407           |                    |                  | 40,487  |
| Computer equipment                  | 212,424                                       | 58,863           | 2,784              |                  | 268,503                                       |
| Improvements - Oregon waste         |   |                  |                    |                  |   |
| Water treatment plant               | 898,335                                       | (5,260)          |                    |                  | 893,075                                       |
| Total accumulated depreciation      | 45,682,721                                    | 2,601,695        | 2,784              | 0                | 48,281,632                                    |
| Capital assets, net                 | \$ 76,606,246                                 | \$ 5,114,539     | \$ 4,176           | \$ 0             | \$ 81,716,609                                 |
| <b>Depreciation expense charged</b> |   |                  |                    |                  |   |
| to operating expense                |   | \$ 2,601,695     |                    |                  |   |

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

**NOTE 4- NOTES PAYABLE**

Notes payable issued to provide temporary financing of sewer and water construction projects outstanding at December 31, 2004 and 2003.

| <u>Date of Issue</u> | <u>Purpose</u>          | <u>Interest Rates</u> | <u>Maturity Date</u> | <u>2004</u>               | <u>2003</u>               |
|----------------------|-------------------------|-----------------------|----------------------|---------------------------|---------------------------|
|                      |                         |                       |                      | <u>Amount Outstanding</u> | <u>Amount Outstanding</u> |
| 09/18/03             | Jerry City Construction | 1.55%                 | 09/16/04             | \$ 0                      | \$ 2,430,079              |
| 11/07/03             | Rudolph SS              | 2.79%                 | 05/06/04             | 0                         | 1,049,260                 |
|                      |                         |                       |                      | <u>\$ 0</u>               | <u>\$ 3,479,339</u>       |

The notes are secured by the underlying capital assets.

Notes payable activity for the year ended December 31, 2004 is as follows:

|                         | <u>Balance at<br/>December 31, 2003</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance at<br/>December 31, 2004</u> | <u>Amount due<br/>in 2005</u> |
|-------------------------|---|---------------------|---------------------|---|-------------------------------|
| Jerry City Construction | \$ 2,430,079                            | \$                  | \$ 2,430,079        | \$ 0                                    | \$ 0                          |
| Rudolph SS              | 1,049,260                               |                     | 1,049,260           | 0                                       | 0                             |
| Ford Rd                 |   | 1,530,000           | 1,530,000           | 0                                       | 0                             |
|                         | <u>\$ 3,479,339</u>                     | <u>\$ 1,530,000</u> | <u>\$ 5,009,339</u> | <u>\$ 0</u>                             | <u>\$ 0</u>                   |

Notes payable activity for the year ended December 31, 2003 is as follows:

|                         | <u>Balance at<br/>December 31, 2002</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance at<br/>December 31, 2003</u> | <u>Amount due<br/>in 2004</u> |
|-------------------------|---|---------------------|---------------------|---|-------------------------------|
| Tracy/Emch/Ayers WL     | \$ 598,832                              | \$                  | \$ 598,832          | \$ 0                                    | \$ 0                          |
| Rudolph SS              | 1,549,260                               |                     | 1,549,260           | 0                                       | 0                             |
| Jerry City Construction |   | 2,430,079           |                     | 2,430,079                               | 2,430,079                     |
| Rudolph SS              |   | 1,049,260           |                     | 1,049,260                               | 1,049,260                     |
|                         | <u>\$ 2,148,092</u>                     | <u>\$ 3,479,339</u> | <u>\$ 2,148,092</u> | <u>\$ 3,479,339</u>                     | <u>\$ 3,479,339</u>           |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2004 and 2003**

**NOTE 5 - DEBT**

Ohio Water Development Authority loans payable

The District has four loans with the Ohio Water Development Authority (OWDA) to finance the cost of

| <b>Project<br/>Number</b> | <b>Date of<br/>Loan</b> | <b>Original<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Final<br/>Payment<br/>Date</b> | <b>2004</b>                   | <b>2003</b>                   |
|---------------------------|-------------------------|----------------------------|--------------------------|-----------------------------------|-------------------------------|-------------------------------|
|                           |                         |                            |                          |                                   | <b>Amount<br/>Outstanding</b> | <b>Amount<br/>Outstanding</b> |
| SS #140                   | 09/29/94                | 1,065,000                  | 4.18%                    | 07/01/14                          | \$ 641,106                    | \$ 691,811                    |
| WL #234                   | 07/27/95                | 5,496,313                  | 6.36%                    | 01/01/16                          | 3,937,561                     | 4,165,904                     |
| WL #167-183               | 05/27/99                | 3,503,947                  | 5.56%                    | 07/01/20                          | 3,073,070                     | 3,189,805                     |
| SS #904 & WL #904         | 08/31/00                | 1,660,596                  | 3.0% - 6.39%             | 01/01/21                          | 1,436,513                     | 1,502,937                     |
| SS #1000                  | 11/04/04                | 168,224                    |                          |                                   | 168,224                       | 0                             |
|                           |                         |                            |                          |                                   | <u>\$ 9,256,474</u>           | <u>\$ 9,550,457</u>           |

Other long-term loans at December 31, 2004 and 2003 are as follows:

| <b>Date of<br/>Issue</b> | <b>Purpose</b>                | <b>Interest<br/>Rates</b> | <b>Maturity<br/>Date</b> | <b>2004</b>                   | <b>2003</b>                   |
|--------------------------|-------------------------------|---------------------------|--------------------------|-------------------------------|-------------------------------|
|                          |                               |                           |                          | <b>Amount<br/>Outstanding</b> | <b>Amount<br/>Outstanding</b> |
| 01/01/87                 | Sewer improvement - SS #220   | 7.76%                     | 12/31/06                 | \$ 100,910                    | \$ 211,544                    |
| 12/01/97                 | Jerry City SS/Cygnets Lagoon  | 6.04%                     | 12/01/36                 | 208,867                       | 211,017                       |
| 08/13/98                 | Jerry City SS #1800 OPWC loan | 0.00%                     | 07/01/19                 | 366,627                       | 391,910                       |
| 09/08/98                 | Jerry City SS #1800 USDA loan | 4.75%                     | 09/08/38                 | 270,000                       | 273,200                       |
| 07/01/03                 | W Boundary Rehab OPWC loan    | 0.00%                     | 07/01/13                 | 147,034                       | 164,332                       |
| 07/31/04                 | Jerry City WL #CE37F          | 0.00%                     |                          | 136,912                       | 0                             |
| 11/03/04                 | Rudolph SS #CE33E             | 0.00%                     | 07/01/24                 | 80,766                        | 0                             |
|                          |                               |                           |                          | <u>\$ 1,311,116</u>           | <u>\$ 1,252,003</u>           |

Bonded debt at December 31, 2004 and 2003 is as follows:

| <b>Date of<br/>Issue</b> | <b>Purpose</b>               | <b>Original<br/>Amount</b> | <b>Interest<br/>Rates</b> | <b>Maturity<br/>Date</b> | <b>2004</b>                   | <b>2003</b>                   |
|--------------------------|------------------------------|----------------------------|---------------------------|--------------------------|-------------------------------|-------------------------------|
|                          |                              |                            |                           |                          | <b>Amount<br/>Outstanding</b> | <b>Amount<br/>Outstanding</b> |
| 09/17/96                 | Special assessment bond      | 277,159                    | 6.20%                     | 12/01/16                 | \$ 166,000                    | \$ 180,000                    |
| 10/01/98                 | Special assessment bond      | 360,000                    | 4.25 - 5.25%              | 10/01/18                 | 250,000                       | 270,000                       |
| 09/23/99                 | Special assessment bond      | 500,000                    | 5.85%                     | 12/01/19                 | 420,000                       | 440,000                       |
| 09/20/00                 | Special assessment bond      | 175,000                    | 6.13%                     | 12/01/20                 | 145,000                       | 150,000                       |
| 03/01/02                 | 2002 revenue bond            | 4,235,000                  | 3.00 - 5.25%              | 12/01/21                 | 3,035,000                     | 3,435,000                     |
| 06/07/02                 | Special assessment bond      | 957,578                    | 4.75%                     | 11/01/22                 | 880,000                       | 922,000                       |
| 09/01/02                 | Special assessment bond      | 74,000                     | 2.91 - 5.10%              | 12/01/22                 | 70,904                        | 73,071                        |
| 09/01/02                 | Special assessment bond      | 1,121,000                  | 2.91 - 5.10%              | 12/01/22                 | 1,074,096                     | 1,106,929                     |
| 03/20/03                 | USDA building construction   | 2,975,000                  | 4.63%                     | 03/20/33                 | 2,927,259                     | 2,975,000                     |
| 09/01/03                 | Special assessment bond      | 1,245,000                  | 2.00 - 5.35%              | 09/01/23                 | 1,215,001                     | 1,245,000                     |
| 06/28/04                 | USDA Revenue bond            | 796,000                    | 4.375%                    | 06/01/44                 | 796,000                       | 0                             |
| 09/08/04                 | USDA Special assessment bond | 820,000                    | 4.75%                     | 09/01/24                 | 820,000                       | 0                             |
| 09/15/04                 | Special assessment bond      | 2,165,000                  | 2.00 - 5.00%              | 12/01/24                 | 2,165,000                     | 0                             |
| 09/15/04                 | Revenue bond                 | 2,000,000                  | 2.00 - 5.00%              | 12/01/24                 | 2,000,000                     | 0                             |
|                          |                              |                            | 2.62%                     |                          | <u>\$ 15,964,260</u>          | <u>\$ 10,797,000</u>          |

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2004 and 2003**

**NOTE 5 - DEBT, continued**

Long-term debt activity for the year ended December 31, 2004 is as follows:

|                               | <b>Balance at<br/>December 31, 2003</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Balance at<br/>December 31, 2004</b> | <b>Amount due<br/>in 2005</b> |
|-------------------------------|---|---------------------|---------------------|---|-------------------------------|
| OWDA - SS #140                | \$ 691,810                              | \$ 0                | \$ 50,704           | \$ 641,106                              | \$ 52,846                     |
| OWDA - WL #234                | 4,165,904                               |                     | 228,343             | 3,937,561                               | 242,865                       |
| OWDA - WL #167 - 183          | 3,189,806                               |                     | 116,736             | 3,073,070                               | 123,316                       |
| OWDA - SS #904 & WL #904      | 1,502,936                               |                     | 66,423              | 1,436,513                               | 68,431                        |
| OWDA - SS #1000               |   | 168,224             |                     | 168,224                                 | 5,318                         |
| Sewer improvement - SS #220   | 211,544                                 |                     | 110,634             | 100,910                                 | 50,765                        |
| Jerry City SS/Cygnnet Lagoon  | 211,017                                 |                     | 2,150               | 208,867                                 | 2,280                         |
| Jerry City SS #1800 OPWC loan | 391,911                                 |                     | 25,284              | 366,627                                 | 25,285                        |
| Jerry City SS #1800 USDA loan | 273,200                                 |                     | 3,200               | 270,000                                 | 3,300                         |
| W Boundary Rehab OPWC loan    | 164,332                                 |                     | 17,298              | 147,034                                 | 17,298                        |
| Jerry City WL #CE37F          |   | 136,912             |                     | 136,912                                 | 0                             |
| Rudolph SS #CE33E             |   | 82,837              | 2,071               | 80,766                                  | 4,142                         |
| Special assessments bond      | 180,000                                 |                     | 14,000              | 166,000                                 | 14,000                        |
| Special assessments bond      | 270,000                                 |                     | 20,000              | 250,000                                 | 20,000                        |
| Special assessments bond      | 440,000                                 |                     | 20,000              | 420,000                                 | 20,000                        |
| Special assessments bond      | 150,000                                 |                     | 5,000               | 145,000                                 | 10,000                        |
| 2002 revenue bond             | 3,435,000                               |                     | 400,000             | 3,035,000                               | 400,000                       |
| Special assessments bond      | 922,000                                 |                     | 42,000              | 880,000                                 | 42,000                        |
| Special assessments bond      | 73,071                                  |                     | 2,167               | 70,904                                  | 2,167                         |
| Special assessments bond      | 1,106,929                               |                     | 32,833              | 1,074,096                               | 32,833                        |
| USDA building construction    | 2,975,000                               |                     | 47,741              | 2,927,259                               | 49,949                        |
| Special assessments bond      | 1,245,000                               |                     | 29,999              | 1,215,001                               | 45,000                        |
| USDA Revenue bond             |   | 796,000             |                     | 796,000                                 | 0                             |
| USDA Special assessment bond  |   | 820,000             |                     | 820,000                                 | 25,300                        |
| Special assessment bond       |   | 2,165,000           |                     | 2,165,000                               | 55,000                        |
| Revenue bond                  |   | 2,000,000           |                     | 2,000,000                               | 65,000                        |
| Total                         | <u>\$ 21,599,460</u>                    | <u>\$ 6,168,973</u> | <u>\$ 1,236,583</u> | <u>\$ 26,531,850</u>                    | <u>\$ 1,377,095</u>           |

Long-term debt activity for the year ended December 31, 2003 is as follows:

|                               | <b>Balance at<br/>December 31, 2002</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Balance at<br/>December 31, 2003</b> | <b>Amount due<br/>in 2004</b> |
|-------------------------------|---|---------------------|---------------------|---|-------------------------------|
| OWDA - SS #140                | \$ 740,460                              | \$ 0                | \$ 48,650           | \$ 691,810                              | \$ 50,704                     |
| OWDA - WL #234                | 4,380,592                               |                     | 214,688             | 4,165,904                               | 228,343                       |
| OWDA - WL #167 - 183          | 3,300,311                               |                     | 110,505             | 3,189,806                               | 116,736                       |
| OWDA - SS #904 & WL #904      | 1,567,412                               |                     | 64,476              | 1,502,936                               | 66,424                        |
| Sewer improvement - SS #220   | 255,261                                 |                     | 43,717              | 211,544                                 | 47,109                        |
| Jerry City SS/Cygnnet Lagoon  | 213,044                                 |                     | 2,027               | 211,017                                 | 2,150                         |
| Jerry City SS #1800 OPWC loan | 417,196                                 |                     | 25,285              | 391,911                                 | 25,285                        |
| Jerry City SS #1800 USDA loan | 276,300                                 |                     | 3,100               | 273,200                                 | 3,200                         |
| W Boundary Rehab OPWC loan    |   | 172,981             | 8,649               | 164,332                                 | 17,298                        |
| Special assessments bond      | 194,000                                 |                     | 14,000              | 180,000                                 | 14,000                        |
| Special assessments bond      | 285,000                                 |                     | 15,000              | 270,000                                 | 20,000                        |
| Special assessments bond      | 455,000                                 |                     | 15,000              | 440,000                                 | 20,000                        |
| Special assessments bond      | 160,000                                 |                     | 10,000              | 150,000                                 | 5,000                         |
| Building construction         | 3,000,000                               |                     | 3,000,000           | 0                                       | 0                             |
| 2002 revenue bond             | 3,835,000                               |                     | 400,000             | 3,435,000                               | 400,000                       |
| Special assessments bond      | 957,578                                 |                     | 35,578              | 922,000                                 | 42,000                        |
| Special assessments bond      | 74,000                                  |                     | 929                 | 73,071                                  | 2,167                         |
| Special assessments bond      | 1,121,000                               |                     | 14,071              | 1,106,929                               | 32,833                        |
| USDA building construction    |   | 2,975,000           |                     | 2,975,000                               | 47,741                        |
| Special assessments bond      |   | 1,245,000           |                     | 1,245,000                               | 30,000                        |
| Total                         | <u>\$ 21,232,154</u>                    | <u>\$ 4,392,981</u> | <u>\$ 4,025,675</u> | <u>\$ 21,599,460</u>                    | <u>\$ 1,170,990</u>           |

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

**NOTE 5 - DEBT, continued**

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2004 are as follows:

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 2005        | \$ 1,377,095         | \$ 1,277,889         | \$ 2,654,984         |
| 2006        | 1,441,271            | 1,212,824            | 2,654,095            |
| 2007        | 1,218,363            | 1,167,314            | 2,385,677            |
| 2008        | 1,259,566            | 1,112,093            | 2,371,659            |
| 2009        | 1,304,425            | 1,049,900            | 2,354,325            |
| 2010-2014   | 7,235,143            | 4,252,808            | 11,487,951           |
| 2015-2019   | 6,437,614            | 2,405,180            | 8,841,794            |
| 2020-2024   | 3,935,797            | 990,985              | 4,926,782            |
| 2025-2029   | 864,032              | 432,603              | 1,296,635            |
| 2030-2034   | 900,407              | 210,860              | 1,111,267            |
| 2035-2039   | 237,497              | 71,483               | 308,980              |
| 2040-2044   | <u>320,640</u>       | <u>25,543</u>        | <u>346,183</u>       |
| Total       | <u>\$ 26,531,850</u> | <u>\$ 14,209,482</u> | <u>\$ 40,741,332</u> |

At December 31, 2004 and 2003, respectively, the District had \$2,499,857 and \$2,306,938 in cash and cash equivalents and investments restricted in accordance with loan agreements.

**NOTE 6 - COUNTY DEBT OBLIGATIONS**

The County has issued special assessment debt on behalf of the District to fund District projects. This debt will be paid from the proceeds of special assessments levied against those property owners that benefited from the projects. In the event that property owners fail to make their special assessment payments, the County is responsible for the annual principal and interest payments. At December 31, 2004 and 2003, \$2,279,000 and \$2,694,000, respectively, in special assessment debt related to the District is outstanding. This debt is backed by the full faith and credit of the County and is not reflected in the District's financial statements.

During the formation of the District, the County retained \$208,000 to establish a reserve to fund shortfalls in the collection of the above special assessments. Further, the District has agreed to advance additional funds, if necessary, to the extent shortfalls exceed the reserve. The County has agreed to remit to the District any balance that may be remaining in this reserve. During 2004 and 2003, 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, 2004 and 2003.

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

At December 31, 2004 and 2003, \$1,962,321 and \$2,124,400, 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 2004 and 2003, or in prior years on this reserve.

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

The employees of the District are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of qualifying gross wages for all employees. The total 2004 and 2003 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 PERS for the years ending December 31, 2004 and 2003 and 2002 were \$195,541, \$186,900, and \$162,200, 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 retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 and 2003 employer contribution rate was 13.55% of covered payroll; 4% and 5% was the portion that was used to fund health care for 2004 and 2003, respectively, which is \$56,400 and \$68,200 for 2004 and 2003, respectively.

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2004 and 2003**

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

OPEB is financed through employer contributions and investment earnings thereon. PERS uses advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2003. The following significant actuarial assumptions were used in this valuation:

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 was 8%.

Active Employee Total Payroll

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

Health Care Costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care cost were assumed to increase at 4.00% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2003 was 369,885. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$10.5 billion as of December 31, 2003. The actuarial accrued liability as of that date was \$26.9 billion resulting in an unfunded actuarial accrued liability of \$16.4 billion.

**NOTE 8 - COMPENSATED ABSENCES**

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

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Year Ended December 31, 2004 and 2003**

**NOTE 8 - COMPENSATED ABSENCES, continued**

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

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

At December 31, 2004 and 2003, \$143,661 and \$145,100, 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 9 - INSURANCE**

The District maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage between 2004 and 2003. There have been no significant reductions in insurance coverage from 2003, and no insurance settlement has exceeded insurance coverage during the last three years.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Grants**

The District received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2004 and 2003.

**Construction Commitments**

At December 31, 2004 and 2003, the District has construction commitments, on which work has not commenced, totaling approximately \$119,100 and \$1,618,300, respectively, which will be funded by existing resources or the issuance of new revenue debt.

**System Development Fees**

By settlement agreement dated September 14, 2000 relating to litigation between the District and the City of Northwood, the parties resolved all claims asserted. The District agreed to pay to Northwood system development fees collected within the City for a ten (10) year term beginning in 1999 in an aggregate amount not to exceed \$500,000. Northwood relinquished any claim that it owns the District's facilities and any claim to appropriate the facilities. In 2004 and 2003, the District remitted system development fees of approximately \$33,350 and \$21,400, respectively, for cumulative fees paid under the agreement of \$309,200 at December 31, 2003.



**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Year Ended December 31, 2004 and 2003**

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

**Litigation and Claims**

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

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

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. As of December 31, 2004 there are five such ordered areas with preliminary or updated cost estimates totaling \$5.4 million for projects commencing or finishing over the next few years. These projects will be paid for by federal and state financial assistance and by the property owners benefiting from the projects through real estate special assessments and connection fees.

The District had approximately \$3,711,730 at December 31, 2004 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,685,975 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 reported in the financial statements.

**NOTE 11 – NON-CASH TRANSACTIONS**

As of December 31, 2004 and 2003, capital grant receivable of \$0 and \$1,434,103, respectively, were recognized and recorded as aid in construction.

Special assessments of \$1,992,176 and \$2,400,308 were recognized and recorded as aid in construction in 2004 and 2003, respectively.

Developers dedicated water and sewer lines with total costs of \$2,458,003 and \$1,443,087 in 2004 and 2003, respectively, with such contributions recorded as aid in construction.

Increase (decrease) in fair value of investments as of December 31, 2004 and 2003 was \$8,551 and \$(56,727), respectively.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2004 and 2003**

**NOTE 12 - SEGMENT INFORMATION**

Significant financial data for the respective divisions of the District's enterprise fund at and for the years ended December 31, 2004 and 2003 is as follows:

|  | <b>2004</b>   |               |               | <b>2003</b>   |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>Water</b>  | <b>Sewer</b>  | <b>Total</b>  | <b>Water</b>  | <b>Sewer</b>  | <b>Total</b>  |
| <b>Statement of net assets</b>                                       |               |               |               |               |               |               |
| Current assets   | \$ 6,210,935  | \$ 10,799,309 | \$ 17,010,244 | \$ 7,976,426  | \$ 8,133,073  | \$ 16,109,499 |
| Capital assets   | 35,399,169    | 50,116,425    | 85,515,594    | 32,808,292    | 48,908,317    | 81,716,609    |
| Other assets   | 5,064,908     | 4,277,387     | 9,342,295     | 3,706,407     | 4,542,303     | 8,248,710     |
| Total assets   | 46,675,012    | 65,193,121    | 111,868,133   | 44,491,125    | 61,583,693    | 106,074,818   |
| Current liabilities  | 1,279,679     | 1,819,764     | 3,099,443     | 3,914,408     | 2,514,683     | 6,429,091     |
| Long-term liabilities  | 11,745,117    | 13,409,638    | 25,154,755    | 9,858,176     | 10,570,294    | 20,428,470    |
| Total liabilities  | 13,024,796    | 15,229,402    | 28,254,198    | 13,772,584    | 13,084,977    | 26,857,561    |
| Invested in capital assets,<br>net of related debt                   | 24,892,777    | 36,657,016    | 61,549,793    | 21,745,066    | 37,279,021    | 59,024,087    |
| Restricted   | 1,819,125     | 680,732       | 2,499,857     | 1,842,234     | 464,704       | 2,306,938     |
| Unrestricted   | 6,938,314     | 12,625,971    | 19,564,285    | 7,131,241     | 10,754,991    | 17,886,232    |
| Total net assets   | \$ 33,650,216 | \$ 49,963,719 | \$ 83,613,935 | \$ 30,718,541 | \$ 48,498,716 | \$ 79,217,257 |
| <b>Statement of revenues, expenses,<br/>and change in net assets</b> |               |               |               |               |               |               |
| Utility revenues   | \$ 2,148,309  | \$ 2,506,712  | \$ 4,655,021  | \$ 1,977,300  | \$ 2,626,460  | \$ 4,603,760  |
| Other revenues   | 484,906       | 254,819       | 739,725       | 312,268       | 304,353       | 616,621       |
| Total operating revenues   | 2,633,215     | 2,761,531     | 5,394,746     | 2,289,568     | 2,930,813     | 5,220,381     |
| Depreciation and amortization  | 1,051,791     | 1,931,228     | 2,983,019     | 839,562       | 1,770,204     | 2,609,766     |
| Other operating expenses   | 2,051,395     | 1,914,083     | 3,965,478     | 1,670,960     | 1,855,029     | 3,525,989     |
| Total operating expenses   | 3,103,186     | 3,845,311     | 6,948,497     | 2,510,522     | 3,625,233     | 6,135,755     |
| Operating loss   | (469,971)     | (1,083,780)   | (1,553,751)   | (220,954)     | (694,420)     | (915,374)     |
| Interest expense   | (619,812)     | (494,705)     | (1,114,517)   | (565,017)     | (500,315)     | (1,065,332)   |
| Other nonoperating   |               |               |               |               |               |               |
| Revenues (expenses)  | 412,409       | 604,620       | 1,017,029     | 296,444       | 271,583       | 568,027       |
| Total nonoperating revenues (expenses)                               | (207,403)     | 109,915       | (97,488)      | (268,573)     | (228,732)     | (497,305)     |
| Aid in construction  | 3,609,049     | 2,438,868     | 6,047,917     | 3,040,090     | 4,501,078     | 7,541,168     |
| Change in net assets   | 2,931,675     | 1,465,003     | 4,396,678     | 2,550,563     | 3,577,926     | 6,128,489     |
| Beginning net assets   | 30,718,541    | 48,498,716    | 79,217,257    | 28,167,978    | 44,920,790    | 73,088,768    |
| Ending net assets  | \$ 33,650,216 | \$ 49,963,719 | \$ 83,613,935 | \$ 30,718,541 | \$ 48,498,716 | \$ 79,217,257 |
| <b>Statement of cash flows</b>                                       |               |               |               |               |               |               |
| Net cash provided by (used in)                                       |               |               |               |               |               |               |
| Operating activities   | \$ 393,954    | \$ 641,451    | \$ 1,035,405  | \$ 675,997    | \$ 1,229,853  | \$ 1,905,850  |
| Capital and related financing  | (1,837,067)   | 1,643,856     | (193,211)     | (905,446)     | (1,994,851)   | (2,900,297)   |
| Investing  | 693,298       | (1,907,678)   | (1,214,380)   | 180,951       | 890,556       | 1,071,507     |
| Cash at beginning of year  | 2,188,455     | 1,170,838     | 3,359,293     | 2,236,953     | 1,045,280     | 3,282,233     |
| Cash at end of year  | \$ 1,438,640  | \$ 1,548,467  | \$ 2,987,107  | \$ 2,188,455  | \$ 1,170,838  | \$ 3,359,293  |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS - BUDGET TO ACTUAL**  
**December 31, 2004**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| <b>Operating revenues</b>                     |                            |                         |                     |   |
| Utility revenue                               | \$ 4,823,900               | \$ 4,823,900            | \$ 4,655,021        | \$ (168,879)  |
| Fees and permits                              | 342,480                    | 342,480                 | 469,832             | 127,352   |
| Contract services                             | 168,000                    | 168,000                 | 171,713             | 3,713   |
| Other   | 0                          | 0                       | 98,180              | 98,180  |
| Total operating revenues                      | <u>5,334,380</u>           | <u>5,334,380</u>        | <u>5,394,746</u>    | <u>60,366</u>   |
| <b>Operating expenses</b>                     |                            |                         |                     |   |
| Labor   | 1,453,800                  | 1,453,800               | 1,318,920           | 134,880   |
| Employee benefits                             | 550,000                    | 550,000                 | 480,711             | 69,289  |
| Professional services                         | 296,500                    | 296,500                 | 306,209             | (9,709)   |
| Purchased water and sewer treatment           | 624,500                    | 624,500                 | 714,639             | (90,139)  |
| Materials and supplies                        | 505,200                    | 505,200                 | 593,570             | (88,370)  |
| Utilities                                     | 270,000                    | 270,000                 | 267,780             | 2,220   |
| Rent  | 5,500                      | 5,500                   | 6,322               | (822)   |
| Other   | 165,500                    | 165,500                 | 277,327             | (111,827)   |
| Depreciation and amortization                 | 2,947,000                  | 2,947,000               | 2,983,019           | (36,019)  |
| Total operating expenses                      | <u>6,818,000</u>           | <u>6,818,000</u>        | <u>6,948,497</u>    | <u>(130,497)</u>  |
| Operating loss                                | (1,483,620)                | (1,483,620)             | (1,553,751)         | (70,131)  |
| <b>Nonoperating revenues (expenses)</b>       |                            |                         |                     |   |
| Interest income                               | 565,000                    | 565,000                 | 738,452             | 173,452   |
| Interest expense                              | (1,166,000)                | (1,166,000)             | (1,114,517)         | 51,483  |
| Other   | (17,000)                   | (17,000)                | 278,577             | 295,577   |
| Net nonoperating expenses                     | <u>(618,000)</u>           | <u>(618,000)</u>        | <u>(97,488)</u>     | <u>520,512</u>  |
| Excess of expenses over revenues              | (2,101,620)                | (2,101,620)             | (1,651,239)         | 450,381   |
| <b>Reconciliation to change in net assets</b> |                            |                         |                     |   |
| Aid in construction                           | 2,637,060                  | 2,637,060               | 6,047,917           | 3,410,857   |
| Change in net assets                          | <u>\$ 535,440</u>          | <u>\$ 535,440</u>       | <u>\$ 4,396,678</u> | <u>\$ 3,861,238</u>   |

Note to supplementary information

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

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

|   | <u>2004</u>         | <u>2003</u>         |
|---|---------------------|---------------------|
| Excess of expenses over revenues - operating budget basis | \$ (1,651,239)      | \$ (1,412,679)      |
| Aid in construction                                       | 6,047,917           | 7,541,168           |
| Change in net assets                                      | <u>\$ 4,396,678</u> | <u>\$ 6,128,489</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2004**

|   | <u>Water</u>      | <u>Sewer</u>      | <u>Elimination<br/>Adjustments</u> | <u>Combined</u>    |
|---|-------------------|-------------------|------------------------------------|--------------------|
| <b>ASSETS</b>   |                   |                   |                                    |                    |
| <b>Current assets</b>   |                   |                   |                                    |                    |
| Cash and cash equivalents-unrestricted                              | \$ 747,097        | \$ 1,088,069      | \$ 0                               | \$ 1,835,166       |
| Cash and cash equivalents-restricted                                | 691,543           | 460,398           | 0                                  | 1,151,941          |
| Investments-unrestricted  | 1,868,631         | 7,384,102         | 0                                  | 9,252,733          |
| Investments-restricted  | 1,127,582         | 220,334           | 0                                  | 1,347,916          |
| Accounts Receivable - Trade   | 861,050           | 1,124,894         | 0                                  | 1,985,944          |
| Current portion of special assessments                              | 709,263           | 428,645           | 0                                  | 1,137,908          |
| Inventory   | 185,550           | 60,969            | 0                                  | 246,519            |
| Prepaid Expenses  | 20,219            | 31,898            | 0                                  | 52,117             |
| Total current assets  | <u>6,210,935</u>  | <u>10,799,309</u> | <u>0</u>                           | <u>17,010,244</u>  |
| <b>Property, plant &amp; equipment</b>                              |                   |                   |                                    |                    |
| Sewer and waterlines  | 46,813,778        | 71,092,986        | 0                                  | 117,906,764        |
| Buildings, pumps and lift stations                                  | 2,906,006         | 5,758,201         | 0                                  | 8,664,207          |
| Machinery and equipment   | 584,804           | 1,613,379         | 0                                  | 2,198,183          |
| Vehicles  | 310,842           | 662,425           | 0                                  | 973,267            |
| Furniture and fixtures  | 71,494            | 121,911           | 0                                  | 193,405            |
| Computer equipment  | 144,166           | 249,129           | 0                                  | 393,295            |
| Improvements - Oregon waste water trtmt. plant                      | 1,836,232         | 3,080,736         | 0                                  | 4,916,968          |
| Total depreciable capital assets                                    | <u>52,667,322</u> | <u>82,578,767</u> | <u>0</u>                           | <u>135,246,089</u> |
| Accumulated depreciation  | (17,395,132)      | (33,457,636)      | 0                                  | (50,852,768)       |
| Net depreciable capital assets                                      | <u>35,272,190</u> | <u>49,121,131</u> | <u>0</u>                           | <u>84,393,321</u>  |
| Land  | 42,083            | 250,845           | 0                                  | 292,928            |
| Construction in process   | 84,896            | 744,449           | 0                                  | 829,345            |
| Net capital assets  | <u>35,399,169</u> | <u>50,116,425</u> | <u>0</u>                           | <u>85,515,594</u>  |
| <b>Other Assets</b>   |                   |                   |                                    |                    |
| Special assessments, less current portion                           | 4,820,813         | 3,834,847         | 0                                  | 8,655,660          |
| Reserve with county commissioners                                   | 36,836            | 221,933           | 0                                  | 258,769            |
| Deferred loan costs, net of accumulated<br>amortization of \$32,485 | 57,209            | 8,983             | 0                                  | 66,192             |
| Miscellaneous   | 150,050           | 211,624           | 0                                  | 361,674            |
| Total other assets  | <u>5,064,908</u>  | <u>4,277,387</u>  | <u>0</u>                           | <u>9,342,295</u>   |
| Total assets  | 46,675,012        | 65,193,121        | 0                                  | 111,868,133        |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2004**

|   | <u>Water</u>          | <u>Sewer</u>          | <u>Elimination<br/>Adjustments</u> | <u>Combined</u>       |
|---|-----------------------|-----------------------|------------------------------------|-----------------------|
| <b>LIABILITIES AND NET ASSETS</b>               |                       |                       |                                    |                       |
| <b>Current liabilities</b>                      |                       |                       |                                    |                       |
| Notes Payable                                   | \$ 0                  | \$ 0                  | \$ 0                               | \$ 0                  |
| Current portion of long-term debt               | 637,609               | 739,486               | 0                                  | 1,377,095             |
| Accounts payable - trade                        | 221,347               | 325,282               | 0                                  | 546,629               |
| Compensated absences payable                    | 54,591                | 89,070                | 0                                  | 143,661               |
| Accrued payroll and payroll taxes               | 51,009                | 81,449                | 0                                  | 132,458               |
| Accrued interest payable                        | 245,342               | 250,563               | 0                                  | 495,905               |
| Amounts due others                              | 69,781                | 333,914               | 0                                  | 403,695               |
| Total current liabilities                       | <u>1,279,679</u>      | <u>1,819,764</u>      | <u>0</u>                           | <u>3,099,443</u>      |
| <br>Long-term debt, less current portion        | <br><u>11,745,117</u> | <br><u>13,409,638</u> | <br><u>0</u>                       | <br><u>25,154,755</u> |
| Total liabilities                               | <u>13,024,796</u>     | <u>15,229,402</u>     | <u>0</u>                           | <u>28,254,198</u>     |
| <br><b>Net assets</b>                           |                       |                       |                                    |                       |
| Invested in capital assets, net of related debt | 24,892,777            | 36,657,016            | 0                                  | 61,549,793            |
| Restricted                                      | 1,819,125             | 680,732               | 0                                  | 2,499,857             |
| Unrestricted                                    | 6,938,314             | 12,625,971            | 0                                  | 19,564,285            |
| Total net assets                                | <u>\$ 33,650,216</u>  | <u>\$ 49,963,719</u>  | <u>\$ 0</u>                        | <u>\$ 83,613,935</u>  |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2003**

|   | <u>Water</u>        | <u>Sewer</u>        | <u>Elimination<br/>Adjustments</u> | <u>Combined</u>     |
|---|---------------------|---------------------|------------------------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |                                    |                     |
| <b>Current assets</b>   |                     |                     |                                    |                     |
| Cash and cash equivalents-unrestricted                              | \$ 2,188,435        | \$ 1,170,805        | \$ 0                               | \$ 3,359,240        |
| Cash and cash equivalents-restricted                                | 20                  | 33                  | 0                                  | 53                  |
| Investments-unrestricted  | 1,434,322           | 4,858,304           | 0                                  | 6,292,626           |
| Investments-restricted  | 1,842,214           | 464,671             | 0                                  | 2,306,885           |
| Accounts receivable - trade   | 1,266,380           | 1,053,780           | 0                                  | 2,320,160           |
| Other receivables   | 663,978             | 295,125             | 0                                  | 959,103             |
| Current portion of special assessments                              | 287,225             | 247,947             | 0                                  | 535,172             |
| Inventory   | 273,588             | 9,214               | 0                                  | 282,802             |
| Prepaid expenses  | 20,264              | 33,194              | 0                                  | 53,458              |
| Total current assets  | <u>7,976,426</u>    | <u>8,133,073</u>    | <u>0</u>                           | <u>16,109,499</u>   |
| <b>Capital Assets</b>   |                     |                     |                                    |                     |
| Sewer and water lines   | 42,044,046          | 67,191,223          | 0                                  | 109,235,269         |
| Buildings, pumps and lift stations                                  | 2,911,975           | 5,507,443           | 0                                  | 8,419,418           |
| Machinery and equipment   | 494,003             | 1,587,015           | 0                                  | 2,081,018           |
| Vehicles  | 288,787             | 604,226             | 0                                  | 893,013             |
| Furniture and fixtures  | 77,387              | 131,901             | 0                                  | 209,288             |
| Computer equipment  | 172,445             | 294,090             | 0                                  | 466,535             |
| Improvements-Oregon waste water treatment plant                     | 1,440,318           | 3,080,736           | 0                                  | 4,521,054           |
| Total depreciable capital assets                                    | <u>47,428,961</u>   | <u>78,396,634</u>   | <u>0</u>                           | <u>125,825,595</u>  |
| Accumulated depreciation and amortization                           | <u>(16,428,177)</u> | <u>(31,853,455)</u> | <u>0</u>                           | <u>(48,281,632)</u> |
| Net depreciable capital assets                                      | 31,000,784          | 46,543,179          | 0                                  | 77,543,963          |
| Land  | 42,083              | 158,495             | 0                                  | 200,578             |
| Construction in process   | 1,765,425           | 2,206,643           | 0                                  | 3,972,068           |
| Net capital assets  | <u>32,808,292</u>   | <u>48,908,317</u>   | <u>0</u>                           | <u>81,716,609</u>   |
| <b>Other Assets</b>   |                     |                     |                                    |                     |
| Special assessments, less current portion                           | 3,580,017           | 4,261,043           | 0                                  | 7,841,060           |
| Reserve with county commissioners                                   | 36,836              | 221,933             | 0                                  | 258,769             |
| Deferred loan costs, net of accumulated<br>amortization of \$14,133 | 65,670              | 13,669              | 0                                  | 79,339              |
| Miscellaneous   | 23,884              | 45,658              | 0                                  | 69,542              |
| Total other assets  | <u>3,706,407</u>    | <u>4,542,303</u>    | <u>0</u>                           | <u>8,248,710</u>    |
| Total Assets  | 44,491,125          | 61,583,693          | 0                                  | 106,074,818         |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2003**

|   | <u>Water</u>         | <u>Sewer</u>          | <u>Elimination<br/>Adjustments</u> | <u>Combined</u>       |
|---|----------------------|-----------------------|------------------------------------|-----------------------|
| <b>LIABILITIES AND NET ASSETS</b>               |                      |                       |                                    |                       |
| <b>Current liabilities</b>                      |                      |                       |                                    |                       |
| Notes payable                                   | \$ 2,430,079         | \$ 1,049,260          | \$ 0                               | \$ 3,479,339          |
| Current portion of long-term debt               | 682,875              | 488,115               | 0                                  | 1,170,990             |
| Accounts payable - trade                        | 243,641              | 284,316               | 0                                  | 527,957               |
| Accounts payable - other                        | 97,774               | 0                     | 0                                  | 97,774                |
| Compensated absences payable                    | 45,608               | 99,499                | 0                                  | 145,107               |
| Accrued payroll and payroll taxes               | 51,644               | 57,083                | 0                                  | 108,727               |
| Accrued interest payable                        | 228,506              | 232,674               | 0                                  | 461,180               |
| Amounts due others                              | 134,281              | 303,736               | 0                                  | 438,017               |
| Total current liabilities                       | <u>3,914,408</u>     | <u>2,514,683</u>      | <u>0</u>                           | <u>6,429,091</u>      |
| <br>Long-term debt, less current portion        | <br><u>9,858,176</u> | <br><u>10,570,294</u> | <br><u>0</u>                       | <br><u>20,428,470</u> |
| Total liabilities                               | <u>13,772,584</u>    | <u>13,084,977</u>     | <u>0</u>                           | <u>26,857,561</u>     |
| <br><b>Net assets</b>                           |                      |                       |                                    |                       |
| Invested in capital assets, net of related debt | 21,745,066           | 37,279,021            | 0                                  | 59,024,087            |
| Restricted                                      | 1,842,234            | 464,704               | 0                                  | 2,306,938             |
| Unrestricted                                    | 7,131,241            | 10,754,991            | 0                                  | 17,886,232            |
| Total net assets                                | <u>\$ 30,718,541</u> | <u>\$ 48,498,716</u>  | <u>\$ 0</u>                        | <u>\$ 79,217,257</u>  |

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2004**

|   | <u>Water</u>         | <u>Sewer</u>         | <u>Elimination<br/>Adjustment</u> | <u>Combined</u>      |
|---|----------------------|----------------------|-----------------------------------|----------------------|
| <b>Operating revenues</b>               |                      |                      |                                   |                      |
| Utility revenue                         | \$ 2,148,309         | \$ 2,506,712         | \$ 0                              | \$ 4,655,021         |
| Fees and permits                        | 367,519              | 102,313              | 0                                 | 469,832              |
| Contract services                       | 81,860               | 89,853               | 0                                 | 171,713              |
| Other operating revenues                | 35,527               | 62,653               | 0                                 | 98,180               |
| Total operating revenues                | <u>2,633,215</u>     | <u>2,761,531</u>     | <u>0</u>                          | <u>5,394,746</u>     |
| <b>Operating expenses</b>               |                      |                      |                                   |                      |
| Depreciation and amortization           | 1,051,791            | 1,931,228            | 0                                 | 2,983,019            |
| Labor                                   | 478,590              | 840,330              | 0                                 | 1,318,920            |
| Employee benefits                       | 186,742              | 293,969              | 0                                 | 480,711              |
| Professional services                   | 139,556              | 166,653              | 0                                 | 306,209              |
| Purchased water and sewer treatment     | 624,052              | 90,587               | 0                                 | 714,639              |
| Materials and supplies                  | 396,242              | 197,328              | 0                                 | 593,570              |
| Utilities                               | 112,360              | 155,420              | 0                                 | 267,780              |
| Rent                                    | 2,335                | 3,987                | 0                                 | 6,322                |
| Other                                   | 111,518              | 165,809              | 0                                 | 277,327              |
| Total operating expenses                | <u>3,103,186</u>     | <u>3,845,311</u>     | <u>0</u>                          | <u>6,948,497</u>     |
| Operating loss                          | (469,971)            | (1,083,780)          | 0                                 | (1,553,751)          |
| <b>Nonoperating revenues (expenses)</b> |                      |                      |                                   |                      |
| Interest income                         | 408,849              | 329,603              | 0                                 | 738,452              |
| Interest expense                        | (619,812)            | (494,705)            | 0                                 | (1,114,517)          |
| Other income (expense)                  | 3,560                | 275,017              | 0                                 | 278,577              |
| Net nonoperating revenues (expenses)    | <u>(207,403)</u>     | <u>109,915</u>       | <u>0</u>                          | <u>(97,488)</u>      |
| <b>Aid in construction</b>              | <u>3,609,049</u>     | <u>2,438,868</u>     | <u>0</u>                          | <u>6,047,917</u>     |
| <b>Change in net assets</b>             | 2,931,675            | 1,465,003            | 0                                 | 4,396,678            |
| <b>Net assets - beginning</b>           | <u>30,718,541</u>    | <u>48,498,716</u>    | <u>0</u>                          | <u>79,217,257</u>    |
| <b>Net assets - ending</b>              | <u>\$ 33,650,216</u> | <u>\$ 49,963,719</u> | <u>\$ 0</u>                       | <u>\$ 83,613,935</u> |



**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2003**

|   | <u>Water</u>         | <u>Sewer</u>         | <u>Elimination<br/>Adjustment</u> | <u>Combined</u>      |
|---|----------------------|----------------------|-----------------------------------|----------------------|
| <b>Operating revenues</b>               |                      |                      |                                   |                      |
| Utility revenue                         | \$ 1,977,300         | \$ 2,626,460         | \$ 0                              | \$ 4,603,760         |
| Fees and permits                        | 244,012              | 132,897              | 0                                 | 376,909              |
| Contract services                       | 39,166               | 123,597              | 0                                 | 162,763              |
| Other operating revenues                | 29,090               | 47,859               | 0                                 | 76,949               |
| Total operating revenues                | <u>2,289,568</u>     | <u>2,930,813</u>     | <u>0</u>                          | <u>5,220,381</u>     |
| <b>Operating expenses</b>               |                      |                      |                                   |                      |
| Depreciation and amortization           | 839,562              | 1,770,204            | 0                                 | 2,609,766            |
| Labor                                   | 479,754              | 823,718              | 0                                 | 1,303,472            |
| Employee benefits                       | 183,524              | 294,562              | 0                                 | 478,086              |
| Professional services                   | 120,011              | 154,358              | 0                                 | 274,369              |
| Purchased water and sewer treatment     | 558,713              | 70,164               | 0                                 | 628,877              |
| Materials and supplies                  | 158,696              | 247,774              | 0                                 | 406,470              |
| Utilities                               | 112,248              | 162,098              | 0                                 | 274,346              |
| Rent                                    | 1,967                | 3,209                | 0                                 | 5,176                |
| Other                                   | 56,047               | 99,146               | 0                                 | 155,193              |
| Total operating expenses                | <u>2,510,522</u>     | <u>3,625,233</u>     | <u>0</u>                          | <u>6,135,755</u>     |
| Operating loss                          | (220,954)            | (694,420)            | 0                                 | (915,374)            |
| <b>Nonoperating revenues (expenses)</b> |                      |                      |                                   |                      |
| Interest income                         | 304,945              | 334,772              | 0                                 | 639,717              |
| Interest expense                        | (565,017)            | (500,315)            | 0                                 | (1,065,332)          |
| Other expense                           | (8,501)              | (63,189)             | 0                                 | (71,690)             |
| Net nonoperating expenses               | <u>(268,573)</u>     | <u>(228,732)</u>     | <u>0</u>                          | <u>(497,305)</u>     |
| <b>Aid in construction</b>              | <u>3,040,090</u>     | <u>4,501,078</u>     | <u>0</u>                          | <u>7,541,168</u>     |
| <b>Change in net assets</b>             | 2,550,563            | 3,577,926            | 0                                 | 6,128,489            |
| <b>Net assets - beginning</b>           | <u>28,167,978</u>    | <u>44,920,790</u>    | <u>0</u>                          | <u>73,088,768</u>    |
| <b>Net assets - ending</b>              | <u>\$ 30,718,541</u> | <u>\$ 48,498,716</u> | <u>\$ 0</u>                       | <u>\$ 79,217,257</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2004**

|   | <u>Water</u>        | <u>Sewer</u>        | <u>Eliminating<br/>Adjustments</u> | <u>Combined</u>     |
|---|---------------------|---------------------|------------------------------------|---------------------|
| <b>Cash flows from Operations</b>                               |                     |                     |                                    |                     |
| Cash received from customers                                    | \$ 2,563,544        | \$ 2,690,417        | \$ 0                               | \$ 5,253,961        |
| Cash payments to suppliers for goods and services               | (1,512,606)         | (928,604)           | 0                                  | (2,441,210)         |
| Cash payments to employees for services                         | (656,984)           | (1,120,362)         | 0                                  | (1,777,346)         |
| Net cash provided by operations                                 | <u>393,954</u>      | <u>641,451</u>      | <u>0</u>                           | <u>1,035,405</u>    |
| <b>Cash flows from capital and related financing activities</b> |                     |                     |                                    |                     |
| Aid in construction   | 622,153             | 723,753             | 0                                  | 1,345,906           |
| Proceeds from capital grant                                     | 1,351,379           | 342,500             | 0                                  | 1,693,879           |
| System development fees   | 566,259             | 603,371             | 0                                  | 1,169,630           |
| Acquisition and construction of capital assets                  | (2,665,667)         | (1,409,708)         | 0                                  | (4,075,375)         |
| Proceeds from issuance of long-term debt                        | 2,956,912           | 3,129,224           | 0                                  | 6,086,136           |
| Repayment of short-term notes                                   | (2,430,079)         | (1,049,260)         | 0                                  | (3,479,339)         |
| Repayment of long-term debt                                     | (1,115,236)         | (38,510)            | 0                                  | (1,153,746)         |
| Collections on special assessments                              | (422,038)           | (180,698)           | 0                                  | (602,736)           |
| Increase in capital asset payable                               | (97,774)            | 0                   | 0                                  | (97,774)            |
| Interest paid   | (602,976)           | (476,816)           | 0                                  | (1,079,792)         |
| Net cash provided by capital and related financing activities   | <u>(1,837,067)</u>  | <u>1,643,856</u>    | <u>0</u>                           | <u>(193,211)</u>    |
| <b>Cash flows from investing activities</b>                     |                     |                     |                                    |                     |
| Interest received   | 408,849             | 329,603             | 0                                  | 738,452             |
| Proceeds on sale of investments                                 | 2,853,346           | 4,955,839           | 0                                  | 7,809,185           |
| Purchases of investments  | (2,568,897)         | (7,193,120)         | 0                                  | (9,762,017)         |
| Net cash provided by (used in) investing activities             | <u>693,298</u>      | <u>(1,907,678)</u>  | <u>0</u>                           | <u>(1,214,380)</u>  |
| Increase (decrease) in cash and cash equivalents                | (749,815)           | 377,629             | 0                                  | (372,186)           |
| Cash and cash equivalents - beginning of the year               | <u>2,188,455</u>    | <u>1,170,838</u>    | <u>0</u>                           | <u>3,359,293</u>    |
| Cash and cash equivalents - end of year                         | <u>\$ 1,438,640</u> | <u>\$ 1,548,467</u> | <u>\$ 0</u>                        | <u>\$ 2,987,107</u> |
| Restricted cash   | <u>\$ 691,543</u>   | <u>\$ 460,398</u>   | <u>\$ 0</u>                        | <u>\$ 1,151,941</u> |
| Unrestricted cash   | <u>\$ 747,097</u>   | <u>\$ 1,088,069</u> | <u>\$ 0</u>                        | <u>\$ 1,835,166</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2004**

|   | <u>Water</u>      | <u>Sewer</u>      | <u>Eliminating<br/>Adjustments</u> | <u>Combined</u>     |
|---|-------------------|-------------------|------------------------------------|---------------------|
| <b>Cash flows from Operations</b>   |                   |                   |                                    |                     |
| Operating loss  | \$ (469,971)      | \$ (1,083,780)    | \$ 0                               | \$ (1,553,751)      |
| Adjustments to reconcile to net cash<br>provided by operating activities            |                   |                   |                                    |                     |
| Depreciation and amortization   | 1,051,791         | 1,931,228         | 0                                  | 2,983,019           |
| Changes in operating assets and liabilities<br>that increase (decrease) cash flows: |                   |                   |                                    |                     |
| Accounts receivable   | (69,671)          | (71,114)          | 0                                  | (140,785)           |
| Inventory   | 88,038            | (51,755)          | 0                                  | 36,283              |
| Other   | (118,804)         | (178,638)         | 0                                  | (297,442)           |
| Accounts payable  | (22,294)          | 40,966            | 0                                  | 18,672              |
| Accrued payroll and related taxes   | (635)             | 24,366            | 0                                  | 23,731              |
| Amounts due to others   | (64,500)          | 30,178            | 0                                  | (34,322)            |
| Total adjustments   | <u>863,925</u>    | <u>1,725,231</u>  | <u>0</u>                           | <u>2,589,156</u>    |
| Net cash provided by operations   | <u>\$ 393,954</u> | <u>\$ 641,451</u> | <u>\$ 0</u>                        | <u>\$ 1,035,405</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2003**

|   | <u>Water</u>        | <u>Sewer</u>        | <u>Eliminating<br/>Adjustments</u> | <u>Combined</u>     |
|---|---------------------|---------------------|------------------------------------|---------------------|
| <b>Cash flows from operations</b>                               |                     |                     |                                    |                     |
| Cash received from customers                                    | \$ 2,312,266        | \$ 2,871,012        | \$ 0                               | \$ 5,183,278        |
| Cash payments to suppliers for goods and services               | (985,777)           | (543,140)           | 0                                  | (1,528,917)         |
| Cash payments to employees for services                         | (650,492)           | (1,098,019)         | 0                                  | (1,748,511)         |
| Net cash provided by operations                                 | <u>675,997</u>      | <u>1,229,853</u>    | <u>0</u>                           | <u>1,905,850</u>    |
| <b>Cash flows from capital and related financing activities</b> |                     |                     |                                    |                     |
| Aid in construction   | 451,262             | 211,143             | 0                                  | 662,405             |
| Proceeds from capital grant                                     | 0                   | 369,500             | 0                                  | 369,500             |
| System development fees   | 418,955             | 812,808             | 0                                  | 1,231,763           |
| Acquisition and construction of capital assets                  | (3,168,505)         | (3,100,466)         | 0                                  | (6,268,971)         |
| Proceeds from issuance of short-term notes                      | 2,430,079           | 0                   | 0                                  | 2,430,079           |
| Proceeds from issuance of long-term debt                        | 1,479,473           | 2,913,508           | 0                                  | 4,392,981           |
| Repayment of short-term notes                                   | (598,832)           | (500,000)           | 0                                  | (1,098,832)         |
| Repayment of long-term debt                                     | (1,629,988)         | (2,395,687)         | 0                                  | (4,025,675)         |
| Collections on special assessments                              | 266,951             | 207,466             | 0                                  | 474,417             |
| Increase in capital asset payable                               | 15,134              | 0                   | 0                                  | 15,134              |
| Interest paid   | (569,975)           | (513,123)           | 0                                  | (1,083,098)         |
| Net cash used in capital and related financing activities       | <u>(905,446)</u>    | <u>(1,994,851)</u>  | <u>0</u>                           | <u>(2,900,297)</u>  |
| <b>Cash flows from investing activities</b>                     |                     |                     |                                    |                     |
| Interest received   | 304,945             | 334,772             | 0                                  | 639,717             |
| Proceeds on sale of investments                                 | 3,341,932           | 9,496,348           | 0                                  | 12,838,280          |
| Purchases of investments  | (3,465,926)         | (8,940,564)         | 0                                  | (12,406,490)        |
| Net cash provided by investing activities                       | <u>180,951</u>      | <u>890,556</u>      | <u>0</u>                           | <u>1,071,507</u>    |
| Increase (Decrease) in cash and cash equivalents                | (48,498)            | 125,558             | 0                                  | 77,060              |
| Cash and cash equivalents - beginning of the year               | <u>2,236,953</u>    | <u>1,045,280</u>    | <u>0</u>                           | <u>3,282,233</u>    |
| Cash and cash equivalents - end of year                         | <u>\$ 2,188,455</u> | <u>\$ 1,170,838</u> | <u>\$ 0</u>                        | <u>\$ 3,359,293</u> |
| Restricted cash   | <u>\$ 20</u>        | <u>\$ 33</u>        | <u>\$ 0</u>                        | <u>\$ 53</u>        |
| Unrestricted cash   | <u>\$ 2,188,435</u> | <u>\$ 1,170,805</u> | <u>\$ 0</u>                        | <u>\$ 3,359,240</u> |

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2003**

|   | <u>Water</u>      | <u>Sewer</u>        | <u>Eliminating<br/>Adjustments</u> | <u>Combined</u>     |
|---|-------------------|---------------------|------------------------------------|---------------------|
| <b>Cash flows from Operations</b>   |                   |                     |                                    |                     |
| Operating loss  | \$ (220,954)      | \$ (694,420)        | \$ 0                               | \$ (915,374)        |
| Adjustments to reconcile to net cash<br>provided by operating activities            |                   |                     |                                    |                     |
| Depreciation and amortization   | 839,562           | 1,770,204           | 0                                  | 2,609,766           |
| Changes in operating assets and liabilities<br>that increase (decrease) cash flows: |                   |                     |                                    |                     |
| Accounts receivable   | 22,698            | (59,801)            | 0                                  | (37,103)            |
| Inventory   | (92,897)          | 241                 | 0                                  | (92,656)            |
| Other   | (33,778)          | (28,543)            | 0                                  | (62,321)            |
| Accounts payable  | 116,277           | 252,483             | 0                                  | 368,760             |
| Accrued payroll and related taxes   | 15,619            | (214)               | 0                                  | 15,405              |
| Amounts due to others   | 29,470            | (10,097)            | 0                                  | 19,373              |
| Total adjustments   | <u>896,951</u>    | <u>1,924,273</u>    | <u>0</u>                           | <u>2,821,224</u>    |
| Net cash provided by operations   | <u>\$ 675,997</u> | <u>\$ 1,229,853</u> | <u>\$ 0</u>                        | <u>\$ 1,905,850</u> |

**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER USER RATES  
RATE HISTORY – LAST TEN YEARS**

|   |   | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> |
|---|---|-------------|-------------|-------------|-------------|
| Minimum Charge  |   |             |             |             |             |
| (Includes no consumption)   | Per Month   | \$ 7.01     | \$ 7.01     | \$ 7.01     | \$ 7.36     |
|   | Per Quarter   | 14.03       | 14.03       | 14.03       | 14.73       |
| Volume Charges  |   |             |             |             |             |
| Collection System Service   |   |             |             |             |             |
|   | Per 1000 cubic feet (cf) of water consumption or measured sewer consumption for commercial and industrial customers and per 1000 cf of winter average water consumption for residential users | \$ 8.10     | \$ 8.10     | \$ 8.10     | \$ 8.51     |
| Collection and Treatment Service                                  |   |             |             |             |             |
|   | Per 1000 cf of water consumption or measured sewer consumption for residential users and per users and per 1000 cf residential users  | \$18.40     | \$18.40     | \$18.40     | \$19.32     |
| Per residential customers where water consumption is not measured |   |             |             |             |             |
| (Includes minimum monthly charge)                                 | Per Month   | \$20.45     | \$20.45     | \$20.45     | \$21.47     |

Source: District accounting records

| <u>1999</u>      | <u>2000</u>      | <u>2001</u>      | <u>2002</u>      | <u>2003</u>      | <u>2004</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 7.36<br>14.73 | \$ 7.36<br>14.73 | \$ 7.73<br>15.47 | \$ 8.11<br>16.24 | \$ 8.52<br>17.05 | \$ 8.52<br>17.05 |
| \$ 8.51          | \$ 8.51          | \$ 8.94          | \$ 9.38          | \$ 9.85          | \$ 9.85          |
| \$19.32          | \$19.32          | \$20.29          | \$21.30          | \$22.37          | \$24.61          |
| \$21.47          | \$21.47          | \$22.54          | \$23.67          | \$24.85          | \$27.34          |

**NORTHWESTERN WATER AND SEWER DISTRICT  
DISTRICT WATER USER RATES  
RATE HISTORY – LAST TEN YEARS**

|  |  | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> |
|--|--|-------------|-------------|-------------|-------------|
| Minimum Charge - 5/8" Meter<br>(Includes no consumption) | Per Month  | \$ 3.90     | \$ 3.90     | \$ 3.90     | \$ 4.10     |
|  | Per Quarter                                      | 7.80        | 7.80        | 7.80        | 8.20        |
| Volume Charges   |  |             |             |             |             |
| Collection System Service                                |  |             |             |             |             |
|  | Per 1000 cubic feet (cf) of water<br>consumption | \$ 2.70     | \$ 2.70     | \$ 2.70     | \$ 2.84     |

Source: District accounting records



| <u>1999</u>     | <u>2000</u>     | <u>2001</u>     | <u>2002</u>      | <u>2003</u>      | <u>2004</u>      |
|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| \$ 4.10<br>8.20 | \$ 4.10<br>8.20 | \$ 4.59<br>9.18 | \$ 5.14<br>10.28 | \$ 5.76<br>11.52 | \$ 5.99<br>11.98 |
| \$ 2.84         | \$ 2.84         | \$ 3.18         | \$ 3.56          | \$ 3.99          | \$ 4.15          |

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

| <u>Year</u> | <u>Average<br/>Number of<br/>Customers</u> | <u>Average<br/>Day<br/>(000's/gal.)</u> | <u>Total Annual<br/>Consumption<br/>(000's/gal.)</u> |
|-------------|--|---|--|
| 1995        | 8,861                                      | 3,425                                   | 1,250,181  |
| 1996        | 8,992                                      | 3,500                                   | 1,277,517  |
| 1997        | 9,220                                      | 3,302                                   | 1,205,113  |
| 1998        | 9,474                                      | 3,555                                   | 1,297,606  |
| 1999        | 9,799                                      | 3,786                                   | 1,381,954  |
| 2000        | 9,769                                      | 3,701                                   | 1,350,954  |
| 2001        | 10,091                                     | 3,816                                   | 1,392,858  |
| 2002        | 10,664                                     | 3,889                                   | 1,419,634  |
| 2003        | 10,283                                     | 4,006                                   | 1,462,223*   |
| 2004        | 10,758                                     | 3,582                                   | 1,307,700  |

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

Source: District accounting records

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

| <u>Year</u> | Average<br>Number of<br><u>Customers</u> | Average<br>Day<br><u>(000's/gal.)</u> | Total Annual<br>Consumption<br><u>(000's/gal.)</u> |
|-------------|--|---------------------------------------|--|
| 1995        | 7,089                                    | 4,304                                 | 1,571,041  |
| 1996        | 7,201                                    | 4,368                                 | 1,594,207  |
| 1997        | 7,447                                    | 4,140                                 | 1,510,943  |
| 1998        | 7,664                                    | 4,667                                 | 1,703,334  |
| 1999        | 7,806                                    | 4,461                                 | 1,628,170  |
| 2000        | 7,978                                    | 4,206                                 | 1,535,324  |
| 2001        | 8,170                                    | 4,116                                 | 1,502,246  |
| 2002        | 8,449                                    | 3,979                                 | 1,452,430  |
| 2003        | 8,756                                    | 4,059                                 | 1,481,478  |
| 2004        | 9,353                                    | 3,966                                 | 1,447,600  |

Source: District accounting records

**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST SEWER CUSTOMERS  
AS OF DECEMBER 31, 2004**

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

Source: District accounting records

**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST WATER CUSTOMERS  
AS OF DECEMBER 31, 2004**

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

Source: District accounting records

**NORTHWESTERN WATER AND SEWER DISTRICT  
SUMMARY OF HISTORICAL SEWER FINANCIAL INFORMATION  
LAST TEN YEARS**

|   | <u>1995</u>    | <u>1996</u>    | <u>1997</u>    | <u>1998</u>    |
|---|----------------|----------------|----------------|----------------|
| Operating Revenue                             | \$2,077,258    | \$2,287,884    | \$2,018,430    | \$2,220,444    |
| Non-Operating Revenue (1)                     | <u>149,133</u> | <u>206,493</u> | <u>165,325</u> | <u>220,419</u> |
| Total Revenues                                | 2,226,391      | 2,494,377      | 2,183,755      | 2,440,863      |
| Operating Expense (Exclusive of depreciation) | 1,366,531      | 1,396,706      | 1,377,252      | 1,467,582      |
| System Development Fees (1)                   | <u>198,206</u> | <u>372,108</u> | <u>368,057</u> | <u>320,056</u> |
| Net Revenues Available for Debt Service       | \$1,058,066    | \$1,469,779    | \$1,174,560    | \$1,293,337    |
| <br>  |                |                |                |                |
| Total Revenue Based Bond Debt Service         | \$627,000      | \$604,000      | \$607,000      | \$790,991      |
| Coverage on Revenue Based Bond Debt Service   | 1.69           | 2.43           | 1.94           | 1.64           |
| Total All Debt Service (2)                    | \$627,000      | \$604,000      | \$607,000      | \$790,991      |
| Revenue Coverage on All Bond Debt Service     | 1.69           | 2.43           | 1.94           | 1.64           |
| <br>  |                |                |                |                |
| Special Assessments Collected (3)             | \$0            | \$0            | \$0            | \$0            |
| Total Special Assessment Debt Service (2)     | \$0            | \$0            | \$0            | \$0            |
| Coverage on Special Assessment Debt Service   | n/a            | n/a            | n/a            | n/a            |

(1) System Development Fees are accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement as non-operating revenues.

(2) Non revenue based debt consists of debt supported by special assessments levied against property and billed and collected by the Wood County Auditor on behalf of the District.

(3) Special assessment interest included in revenue. Special assessment principal receivable is **not** included in revenue. All special assessments collected are segregated for debt service on related debt.

Source: District accounting records

| <u>1999</u>    | <u>2000</u>    | <u>2001</u>    | <u>2002</u>    | <u>2003</u>      | <u>2004</u>      |
|----------------|----------------|----------------|----------------|------------------|------------------|
| \$2,421,106    | \$2,417,500    | \$2,500,093    | \$2,863,659    | \$2,930,813      | \$2,761,531      |
| <u>228,276</u> | <u>362,960</u> | <u>305,337</u> | <u>844,326</u> | <u>1,095,391</u> | <u>1,207,991</u> |
| 2,649,382      | 2,780,460      | 2,805,430      | 3,707,985      | 4,026,204        | 3,969,522        |
| 1,462,936      | 1,710,934      | 1,660,503      | 1,721,024      | 1,855,029        | 1,914,083        |
| <u>444,287</u> | <u>327,063</u> | <u>504,446</u> | <u>0</u>       | <u>0</u>         | <u>0</u>         |
| \$1,630,733    | \$1,396,589    | \$1,649,373    | \$1,986,961    | 2,171,175        | 2,055,439        |
| \$751,454      | \$729,978      | \$625,344      | \$613,245      | \$551,326        | \$746,972        |
| 2.17           | 1.91           | 2.64           | 3.24           | 3.94             | 2.75             |
| \$767,122      | \$803,435      | \$817,890      | \$757,994      | \$873,190        | \$1,130,408      |
| 2.13           | 1.74           | 2.02           | 2.62           | 2.54             | 1.82             |
| \$49,334       | \$91,831       | \$170,226      | \$153,857      | \$374,577        | \$448,091        |
| \$15,668       | \$73,457       | \$192,546      | \$144,749      | \$321,864        | \$383,436        |
| 3.15           | 1.25           | .88            | 1.06           | 1.16             | 1.17             |

**NORTHWESTERN WATER AND SEWER DISTRICT  
SUMMARY OF HISTORICAL WATER FINANCIAL INFORMATION  
LAST TEN YEARS**

|   | <u>1995</u>   | <u>1996</u>    | <u>1997</u>    | <u>1998</u>    |
|---|---------------|----------------|----------------|----------------|
| Operating Revenue                             | \$2,071,803   | \$1,906,346    | \$1,373,316    | \$1,885,292    |
| Non-Operating Revenue (1)                     | <u>75,412</u> | <u>349,402</u> | <u>358,922</u> | <u>363,317</u> |
| Total Revenues                                | 2,147,215     | 2,255,748      | 1,732,238      | 2,248,609      |
| Operating Expense (Exclusive of depreciation) | 1,853,432     | 1,299,298      | 1,342,196      | 1,529,192      |
| System Development Fees (1)                   | <u>58,804</u> | <u>86,439</u>  | <u>119,316</u> | <u>208,018</u> |
| Net Revenues Available for Debt Service       | \$352,587     | \$1,042,889    | \$509,358      | \$927,435      |
| Total Revenue Based Bond Debt Service         | \$131,195     | \$285,291      | \$193,603      | \$433,185      |
| Coverage on Revenue Based Bond Debt Service   | 2.69          | 3.66           | 2.63           | 2.14           |
| Total All Debt Service (2)                    | \$131,195     | \$449,000      | \$558,000      | \$790,909      |
| Revenue Coverage on All Bond Debt Service     | 2.69          | 2.32           | .91            | 1.17           |
| Special Assessments Collected (3)             | \$0           | \$481,133      | \$534,859      | \$463,258      |
| Total Special Assessment Debt Service (2)     | \$0           | \$163,709      | \$364,397      | \$357,724      |
| Coverage on Special Assessment Debt Service   | n/a           | 2.94           | 1.48           | 1.30           |

(1) System Development Fees are accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement as non operating revenues.

(2) Special Assessment debt consists of debt supported by special assessments levied against property and billed and collected by the Wood County Auditor on behalf of the District.

(3) Special assessment interest included in revenue. Special assessment principal receivable is **not** included in revenue. All special assessments collected are segregated for debt service on related debt.

Source: District accounting records



| <u>1999</u>    | <u>2000</u>    | <u>2001</u>    | <u>2002</u>    | <u>2003</u>    | <u>2004</u>    |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$1,876,661    | \$1,741,035    | \$1,868,412    | \$2,088,793    | \$2,289,568    | \$2,633,215    |
| <u>353,921</u> | <u>396,695</u> | <u>363,547</u> | <u>716,471</u> | <u>715,399</u> | <u>978,668</u> |
| 2,230,582      | 2,137,730      | 2,231,959      | 2,805,264      | 3,004,967      | 3,611,883      |
| 1,673,940      | 1,586,484      | 1,658,817      | 1,617,397      | 1,670,960      | 2,051,395      |
| <u>205,801</u> | <u>201,250</u> | <u>312,872</u> | <u>0</u>       | <u>0</u>       | <u>0</u>       |
| \$762,443      | \$752,496      | \$886,014      | \$1,187,867    | \$1,334,007    | \$1,560,488    |
| \$283,627      | \$251,314      | \$236,540      | \$531,010      | \$531,299      | \$598,597      |
| 2.69           | 2.99           | 3.75           | 2.24           | 2.51           | 2.61           |
| \$645,045      | \$666,462      | \$698,329      | \$991,445      | \$1,081,276    | \$1,095,964    |
| 1.18           | 1.13           | 1.27           | 1.20           | 1.24           | 1.42           |
| \$526,489      | \$529,895      | \$558,889      | \$604,552      | \$581,990      | \$588,729      |
| \$361,418      | \$415,148      | \$461,789      | \$460,435      | \$549,977      | \$497,367      |
| 1.46           | 1.28           | 1.21           | 1.31           | 1.06           | 1.18           |

**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2004**

| Year          | Revenue Debt       |                  |                    | Special Assessment Debt |                  |                    | % of Debt Service   |           |
|---------------|--------------------|------------------|--------------------|-------------------------|------------------|--------------------|---------------------|-----------|
|               | OWDA               | OPWC             | Bonds & Notes      | OWDA                    | OPWC             | Bonds & Notes      | Totals              | Remaining |
| 2005          | \$322,059          | \$21,440         | \$591,022          | \$59,399                | \$25,285         | \$361,969          | \$1,381,174         | 93.82%    |
| 2006          | 323,240            | 21,440           | 581,875            | 67,013                  | 25,285           | 362,908            | 1,381,761           | 87.63%    |
| 2007          | 323,240            | 21,440           | 382,036            | 74,626                  | 25,285           | 367,529            | 1,194,156           | 82.28%    |
| 2008          | 323,240            | 21,440           | 317,260            | 74,626                  | 25,286           | 363,396            | 1,125,248           | 77.25%    |
| 2009          | 323,240            | 21,440           | 315,147            | 74,626                  | 25,285           | 367,236            | 1,126,974           | 72.20%    |
| 2010          | 323,240            | 21,440           | 317,468            | 74,626                  | 25,287           | 363,924            | 1,125,985           | 67.16%    |
| 2011          | 323,240            | 21,440           | 315,092            | 74,626                  | 25,285           | 361,206            | 1,120,889           | 62.14%    |
| 2012          | 323,240            | 21,440           | 321,553            | 74,626                  | 25,287           | 350,258            | 1,116,404           | 57.14%    |
| 2013          | 323,240            | 21,440           | 318,476            | 74,626                  | 25,284           | 361,049            | 1,124,115           | 52.11%    |
| 2014          | 323,240            | 4,142            | 315,271            | 74,626                  | 25,288           | 358,167            | 1,100,734           | 47.18%    |
| 2015          | 244,142            | 4,142            | 316,406            | 74,626                  | 25,285           | 353,084            | 1,017,685           | 42.63%    |
| 2016          | 244,142            | 4,142            | 317,618            | 74,626                  | 25,289           | 351,589            | 1,017,406           | 38.07%    |
| 2017          | 244,142            | 4,142            | 317,840            | 74,626                  | 25,285           | 352,708            | 1,018,743           | 33.51%    |
| 2018          | 244,142            | 4,142            | 318,224            | 74,626                  | 25,289           | 348,208            | 1,014,631           | 28.97%    |
| 2019          | 244,142            | 4,142            | 318,408            | 74,626                  | 25,285           | 347,187            | 1,013,790           | 24.43%    |
| 2020          | 244,142            | 4,142            | 317,525            | 74,626                  | 0                | 314,638            | 955,073             | 20.16%    |
| 2021          | 12,956             | 4,142            | 315,949            | 37,324                  | 0                | 300,451            | 670,822             | 17.15%    |
| 2022          | 12,956             | 4,142            | 318,914            | 0                       | 0                | 298,684            | 634,696             | 14.31%    |
| 2023-27       | 25,913             | 8,283            | 1,149,805          | 0                       | 0                | 281,830            | 1,465,831           | 7.75%     |
| 2028-32       | 0                  | 0                | 863,803            | 0                       | 0                | 80,774             | 944,577             | 3.52%     |
| 2033-37       | 0                  | 0                | 389,003            | 0                       | 0                | 80,847             | 469,850             | 1.42%     |
| 2038-42       | 0                  | 0                | 214,551            | 0                       | 0                | 16,131             | 230,682             | 0.38%     |
| 2043-44       | 0                  | 0                | 85,825             | 0                       | 0                | 0                  | 85,825              | 0.00%     |
| <b>Totals</b> | <b>\$4,747,896</b> | <b>\$238,521</b> | <b>\$9,019,071</b> | <b>\$1,208,500</b>      | <b>\$379,290</b> | <b>\$6,743,773</b> | <b>\$22,337,051</b> |           |

Source: District accounting records

**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2004**

| Year    | Revenue Debt |               | Special Assessment Debt |               | Totals       | % of Debt Service Remaining |
|---------|--------------|---------------|-------------------------|---------------|--------------|-----------------------------|
|         | OWDA         | Bonds & Notes | OWDA                    | Bonds & Notes |              |                             |
| 2005    | \$227,178    | \$408,044     | \$379,037               | \$259,553     | \$1,273,812  | 93.07%                      |
| 2006    | 227,178      | 405,430       | 385,653                 | 253,361       | 1,271,622    | 86.15%                      |
| 2007    | 227,178      | 379,315       | 392,270                 | 256,284       | 1,255,047    | 79.32%                      |
| 2008    | 227,178      | 372,195       | 392,270                 | 254,770       | 1,246,413    | 72.54%                      |
| 2009    | 227,178      | 364,416       | 392,270                 | 249,547       | 1,233,411    | 65.83%                      |
| 2010    | 227,178      | 357,016       | 392,270                 | 250,568       | 1,227,032    | 59.15%                      |
| 2011    | 227,178      | 348,661       | 392,270                 | 245,177       | 1,213,286    | 52.55%                      |
| 2012    | 227,178      | 306,501       | 392,270                 | 242,258       | 1,168,207    | 46.20%                      |
| 2013    | 227,178      | 299,223       | 392,270                 | 238,085       | 1,156,756    | 39.90%                      |
| 2014    | 227,178      | 286,138       | 392,270                 | 239,648       | 1,145,234    | 33.67%                      |
| 2015    | 227,178      | 278,953       | 392,270                 | 243,160       | 1,141,561    | 27.46%                      |
| 2016    | 144,240      | 271,854       | 228,560                 | 241,060       | 885,714      | 22.64%                      |
| 2017    | 61,303       | 249,472       | 64,851                  | 223,184       | 598,810      | 19.38%                      |
| 2018    | 61,303       | 242,961       | 64,851                  | 223,616       | 592,731      | 16.16%                      |
| 2019    | 61,304       | 236,424       | 64,851                  | 202,270       | 564,849      | 13.09%                      |
| 2020    | 61,304       | 229,792       | 64,851                  | 185,922       | 541,869      | 10.14%                      |
| 2021    | 0            | 222,948       | 32,424                  | 183,987       | 439,359      | 7.75%                       |
| 2022    | 0            | 91,800        | 0                       | 183,952       | 275,752      | 6.25%                       |
| 2023-27 | 0            | 394,059       | 0                       | 331,582       | 725,641      | 2.30%                       |
| 2028-32 | 0            | 352,198       | 0                       | 0             | 352,198      | 0.38%                       |
| 2033-37 | 0            | 70,427        | 0                       | 0             | 70,427       | 0.00%                       |
| Totals  | \$2,888,412  | \$6,167,827   | \$4,815,508             | \$4,507,984   | \$18,379,731 |                             |

Source: District accounting records

**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER REVENUES BY TYPE  
LAST TEN YEARS**

|                               | <u>1995</u>    | <u>1996</u>    | <u>1997</u>    | <u>1998</u>    |
|-------------------------------|----------------|----------------|----------------|----------------|
| <u>Operating Revenues</u>     |                |                |                |                |
| Utility Revenues              | \$1,869,656    | \$2,044,386    | \$1,842,239    | \$2,072,804    |
| Fees and Permits              | 109,838        | 89,846         | 91,237         | 88,217         |
| Contract Services             | 44,580         | 41,965         | 44,543         | 41,691         |
| Other Operating Revenue       | <u>53,184</u>  | <u>111,687</u> | <u>40,411</u>  | <u>17,732</u>  |
| Total Operating Revenue       | 2,077,258      | 2,287,884      | 2,018,430      | 2,220,444      |
| <u>Non-Operating Revenues</u> |                |                |                |                |
| Interest Income               | 149,133        | 206,493        | 165,325        | 220,419        |
| Other Income                  | 0              | 0              | 0              | 0              |
| Aid-In-Construction (1)       | <u>0</u>       | <u>0</u>       | <u>0</u>       | <u>0</u>       |
| Total Non-Operating Revenues  | <u>149,133</u> | <u>206,493</u> | <u>165,325</u> | <u>220,419</u> |
| Total Revenues                | \$2,226,391    | \$2,494,377    | \$2,183,755    | \$2,240,863    |

(1) System Development Fees are accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement as non operating revenues.

Source: District accounting records

| <u>1999</u>    | <u>2000</u>    | <u>2001</u>    | <u>2002</u>      | <u>2003</u>      | <u>2004</u>      |
|----------------|----------------|----------------|------------------|------------------|------------------|
| \$2,285,951    | \$2,227,816    | \$2,342,220    | \$2,650,090      | \$2,626,460      | \$2,506,712      |
| 73,059         | 80,942         | 60,363         | 91,740           | 132,897          | 102,313          |
| 54,814         | 90,312         | 87,641         | 78,463           | 123,597          | 89,853           |
| <u>7,282</u>   | <u>18,430</u>  | <u>9,869</u>   | <u>43,366</u>    | <u>47,859</u>    | <u>62,653</u>    |
| 2,421,106      | 2,417,500      | 2,500,093      | 2,863,659        | 2,930,813        | 2,761,531        |
| 228,276        | 362,960        | 305,337        | 272,677          | 334,772          | 329,603          |
| 0              | 0              | 0              | 0                | 0                | 275,017          |
| <u>0</u>       | <u>0</u>       | <u>0</u>       | <u>3,826,779</u> | <u>4,501,078</u> | <u>2,438,868</u> |
| <u>228,276</u> | <u>362,960</u> | <u>305,337</u> | <u>4,099,456</u> | <u>4,835,850</u> | <u>3,043,488</u> |
| \$2,649,382    | \$2,780,460    | \$2,805,430    | \$6,963,115      | \$7,766,663      | \$5,805,019      |

**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER REVENUES BY TYPE  
LAST TEN YEARS**

|                               | <u>1995</u>   | <u>1996</u>    | <u>1997</u>    | <u>1998</u>    |
|-------------------------------|---------------|----------------|----------------|----------------|
| <u>Operating Revenues</u>     |               |                |                |                |
| Utility Revenues              | \$1,049,311   | \$1,414,596    | \$1,255,200    | \$1,555,070    |
| Fees and Permits              | 995,621       | 151,323        | 96,158         | 201,617        |
| Contract Services             | 9,015         | 2,348          | 2,626          | 2,214          |
| Other Operating Revenue       | <u>17,856</u> | <u>338,079</u> | <u>19,332</u>  | <u>126,391</u> |
| Total Operating Revenue       | 2,071,803     | 1,906,346      | 1,373,316      | 1,885,292      |
| <u>Non-Operating Revenues</u> |               |                |                |                |
| Interest Income               | 75,412        | 349,402        | 358,922        | 363,317        |
| Other Income                  | 0             | 0              | 0              | 0              |
| Aid-In-Construction (1)       | <u>0</u>      | <u>0</u>       | <u>0</u>       | <u>0</u>       |
| Total Non-Operating Revenues  | <u>75,412</u> | <u>349,402</u> | <u>358,922</u> | <u>363,317</u> |
| Total Revenues                | \$2,147,215   | \$2,255,748    | \$1,732,238    | \$2,248,609    |

(1) System Development Fees are accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement as non operating revenues.

Source: District accounting records

| <u>1999</u>    | <u>2000</u>    | <u>2001</u>    | <u>2002</u>      | <u>2003</u>      | <u>2004</u>      |
|----------------|----------------|----------------|------------------|------------------|------------------|
| \$1,656,098    | \$1,569,513    | \$1,686,081    | \$1,848,210      | \$1,977,300      | \$2,148,309      |
| 149,003        | 119,933        | 113,600        | 193,367          | 244,012          | 367,519          |
| 1,750          | 28,231         | 24,104         | 21,059           | 39,166           | 81,860           |
| <u>69,810</u>  | <u>23,358</u>  | <u>62,971</u>  | <u>45,409</u>    | <u>29,090</u>    | <u>35,527</u>    |
| 1,876,661      | 1,741,035      | 1,886,756      | 2,108,045        | 2,289,568        | 2,633,215        |
| 353,921        | 396,695        | 363,547        | 356,621          | 304,945          | 408,849          |
| 0              | 0              | 0              | 0                | 0                | 3,560            |
| <u>0</u>       | <u>0</u>       | <u>0</u>       | <u>1,883,509</u> | <u>3,040,090</u> | <u>3,609,049</u> |
| <u>353,921</u> | <u>396,695</u> | <u>363,547</u> | <u>2,240,130</u> | <u>3,345,035</u> | <u>4,021,458</u> |
| \$2,230,582    | \$2,137,730    | \$2,250,303    | \$4,348,175      | \$5,634,603      | \$6,654,673      |

**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER OPERATING EXPENSES BY TYPE  
LAST TEN YEARS**

|                          | <u>1995</u>   | <u>1996</u>   | <u>1997</u>   | <u>1998</u>   |
|--------------------------|---------------|---------------|---------------|---------------|
| Salaries and Wages       | \$530,270     | \$571,303     | \$606,063     | \$621,029     |
| Benefits                 | 173,087       | 188,907       | 178,921       | 221,791       |
| Professional Services    | 268,867       | 266,805       | 221,151       | 263,827       |
| Materials and Repairs    | 165,383       | 148,147       | 155,402       | 223,417       |
| Utilities                | 177,836       | 126,425       | 139,359       | 124,837       |
| Depreciation             | 1,422,577     | 1,407,678     | 1,444,951     | 1,414,087     |
| Other Expenses           | <u>51,088</u> | <u>95,119</u> | <u>76,356</u> | <u>12,681</u> |
| Total Operating Expenses | \$2,789,108   | \$2,804,384   | \$2,822,203   | \$2,881,669   |

Source: District accounting records



| <u>1999</u>   | <u>2000</u>    | <u>2001</u>    | <u>2002</u>    | <u>2003</u>    | <u>2004</u>    |
|---------------|----------------|----------------|----------------|----------------|----------------|
| \$567,567     | \$621,345      | \$632,814      | \$638,514      | \$823,718      | \$840,330      |
| 213,404       | 217,108        | 243,299        | 271,917        | 294,562        | 293,969        |
| 278,638       | 405,642        | 312,339        | 335,408        | 224,522        | 257,240        |
| 229,131       | 225,191        | 238,137        | 231,182        | 247,774        | 197,328        |
| 116,658       | 134,868        | 141,835        | 142,800        | 162,098        | 155,420        |
| 1,443,385     | 1,393,015      | 1,437,583      | 1,501,058      | 1,765,517      | 1,931,228      |
| <u>57,544</u> | <u>106,780</u> | <u>174,405</u> | <u>104,867</u> | <u>170,231</u> | <u>169,796</u> |
| \$2,906,327   | \$3,103,949    | \$3,180,412    | \$3,225,746    | \$3,688,422    | \$3,845,311    |

**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER OPERATING EXPENSES BY TYPE  
LAST TEN YEARS**

|                              | <u>1995</u>     | <u>1996</u>     | <u>1997</u>     | <u>1998</u>     |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| Salaries and Wages           | \$358,891       | \$350,449       | \$348,238       | \$354,317       |
| Benefits                     | 134,199         | 125,774         | 102,271         | 142,029         |
| Professional Services        | 203,620         | 203,608         | 143,753         | 182,664         |
| Purchased Water              | 174,748         | 329,002         | 336,285         | 441,945         |
| Materials and Repairs        | 791,607         | 117,361         | 235,866         | 236,454         |
| Utilities                    | 94,466          | 107,336         | 124,395         | 123,449         |
| Depreciation                 | 568,874         | 681,974         | 704,259         | 724,327         |
| Other Expenses               | <u>95,901</u>   | <u>65,768</u>   | <u>51,388</u>   | <u>48,333</u>   |
| <br>Total Operating Expenses | <br>\$2,422,306 | <br>\$1,981,272 | <br>\$2,046,455 | <br>\$2,253,518 |

Source: District accounting records

| <u>1999</u>   | <u>2000</u>   | <u>2001</u>   | <u>2002</u>   | <u>2003</u>   | <u>2004</u>    |
|---------------|---------------|---------------|---------------|---------------|----------------|
| \$331,414     | \$383,769     | \$397,605     | \$392,709     | \$479,754     | \$478,590      |
| 134,123       | 133,250       | 149,828       | 169,913       | 183,524       | 186,742        |
| 242,332       | 193,302       | 107,408       | 150,837       | 120,011       | 139,556        |
| 466,755       | 495,316       | 599,660       | 528,894       | 558,713       | 624,052        |
| 320,647       | 244,258       | 226,296       | 198,582       | 158,696       | 396,242        |
| 139,548       | 85,449        | 119,404       | 111,029       | 112,248       | 112,360        |
| 769,470       | 764,849       | 793,319       | 842,693       | 836,178       | 1,051,791      |
| <u>39,121</u> | <u>51,140</u> | <u>58,618</u> | <u>65,432</u> | <u>69,899</u> | <u>113,853</u> |
| \$2,443,410   | \$2,351,333   | \$2,452,138   | \$2,460,089   | \$2,519,023   | \$3,103,186    |

**NORTHWESTERN WATER AND SEWER DISTRICT  
WOOD COUNTY POPULATION IN INCORPORATED AREAS**

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

**(1990 census and 2000 census)**

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

\*only that portion of Fostoria in Wood County

Source: U.S. Census Bureau

**NORTHWESTERN WATER AND SEWER DISTRICT  
NONAGRICULTURAL EMPLOYMENT  
Toledo Primary Metropolitan Statistical Area  
(includes the County)  
At December 31, 2004**

|  | <b><u>Employment</u></b> |
|--|--------------------------|
| Goods-Producing Industries                 | 63,100                   |
| Natural Resources, Mining and Construction | 14,300                   |
| Manufacturing                              | 48,800                   |
| Durable Goods                              | 34,600                   |
| Transportation Equipment                   | 15,100                   |
| Nondurable Goods                           | 14,200                   |
| Service-Providing Industries               | 244,000                  |
| Trade, Transportation and Utilities        | 60,000                   |
| Information                                | 4,800                    |
| Financial Activities                       | 12,600                   |
| Professional and Business Services         | 30,500                   |
| Educational and Health Services            | 44,300                   |
| Leisure and Hospitality                    | 27,900                   |
| Other Services                             | 13,700                   |
| Government                                 | 50,200                   |

Source: Ohio Bureau of Employment Services, Labor Market Review

**NORTHWESTERN WATER AND SEWER DISTRICT  
TEN LARGEST EMPLOYERS IN WOOD COUNTY  
AT DECEMBER 31, 2004**

| <u>Employer</u>                   | <u>Number of Employees</u> |
|-----------------------------------|----------------------------|
| 1. Bowling Green State University | 5,361                      |
| 2. Owens Community College        | 1,525                      |
| 3. Daimler Chrysler               | 1,500                      |
| 4. Wood County                    | 1,221                      |
| 5. Cooper Standard Automotive     | 1,049                      |
| 6. Rudolph-Libbe Companies        | 900                        |
| 7. Norplas Industries             | 650                        |
| 8. NFO Market Research            | 625                        |
| 9. Great Lakes Window             | 507                        |
| 10. Wood County Hospital          | 500                        |

Source: Wood County Economic Development Commission

**NORTHWESTERN WATER AND SEWER DISTRICT  
EMPLOYMENT STATISTICS  
WOOD COUNTY  
AT DECEMBER 31**

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

| <u>Year</u> | <u>United States</u> | <u>State of Ohio</u> | <u>County</u> |
|-------------|----------------------|----------------------|---------------|
| 2000        | 4.0                  | 4.1                  | 3.2           |
| 2001        | 4.7                  | 4.4                  | 3.8           |
| 2002        | 5.8                  | 5.7                  | 4.8           |
| 2003        | 6.0                  | 6.1                  | 5.4           |
| 2004        | 5.4                  | 5.9                  | 5.3           |

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

Labor Force Statistics - Wood County

| <u>Year</u> | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Percent Unemployed</u> |
|-------------|--------------------|-------------------|---------------------|---------------------------|
| 2000        | 67,700             | 65,500            | 2,200               | 3.2                       |
| 2001        | 69,500             | 66,900            | 2,600               | 3.8                       |
| 2002        | 68,700             | 65,400            | 3,300               | 4.8                       |
| 2003        | 68,000             | 64,400            | 3,600               | 5.3                       |
| 2004        | 65,600             | 62,100            | 3,500               | 5.3                       |

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

**NORTHWESTERN WATER AND SEWER DISTRICT  
INCOME AND HOUSING DATA**

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

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

Source: U.S. Census Bureau



**NORTHWESTERN WATER AND SEWER DISTRICT  
BANKING  
AT DECEMBER 31**

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

| <u>Year</u> | <u>Number<br/>of Banks</u> | <u>Deposits</u> |
|-------------|----------------------------|-----------------|
| 2000        | 3                          | 203,854,000     |
| 2001        | 2                          | 137,413,000     |
| 2002        | 2                          | 144,046,000     |
| 2003        | 2                          | 135,302,000     |
| 2004        | 1                          | 90,852,000      |

Source: Federal Reserve Bank of Cleveland

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**Auditor of State  
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**NORTHWESTERN WATER AND SEWER DISTRICT  
WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**