



Comprehensive Annual Financial Report  
For the year ended December 31, 2008

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





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northwestern Water and Sewer District, Wood County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2008 through December 31, 2008. 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

July 10, 2009

**This Page is Intentionally Left Blank.**

NORTHWESTERN WATER AND SEWER DISTRICT  
A POLITICAL SUBDIVISION OF THE  
STATE OF OHIO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2008

SUBMITTED BY:

Finance Department

NORTHWESTERN  
WATER AND SEWER  
DISTRICT



**NORTHWESTERN WATER & SEWER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS**

**I. INTRODUCTION SECTION (UNAUDITED)**

Letter of Transmittal .....	i-vi
2007 Certificate of Achievement for Excellence in Financial Reporting .....	vi
District Officials.....	vii
Organization Chart.....	viii

**II. FINANCIAL SECTION**

Independent Auditors' Report.....	F1-F2
Management's Discussion and Analysis (Unaudited) .....	F3-F8
Basic Financial Statements:	
Statements of Net Assets .....	F9
Statements of Revenues, Expenses, and Changes in Net Assets.....	F10
Statements of Cash Flows .....	F11-F12
Notes to Financial Statements .....	F13-F31
Other Supplementary Information:	
Schedule of Revenues, Expenses, and Changes in Net Assets -Budget to Actual (Unaudited).....	F32
Schedules of Net Assets Information by Division.....	F33-F34
Schedules of Revenues, Expenses, and Changes in Net Assets Information by Division.....	F35-F36
Schedules of Cash Flows Information by Division.....	F37-F40

**III. STATISTICAL SECTION (UNAUDITED)**

Net Assets – Last Ten Years .....	S2
Changes in Net Assets – Last Ten Years .....	S3
Sewer Operating Revenues by Source – Last Ten Years.....	S4
Water Operating Revenues by Source – Last Ten Years.....	S5
Sewer Operating Expense by Type – Last Ten Years .....	S6
Water Operating Expense by Type – Last Ten Years .....	S7
Sewer Non-Operating Revenues by Source – Last Ten Years .....	S8
Water Non-Operating Revenues by Source – Last Ten Years .....	S9
Sewer User Rates – Last Ten Years.....	S10
Water User Rates – Last Ten Years.....	S11
Historical Sewer Customers and Water Consumption – Last Ten Years .....	S12
Historical Water Customers and Water Consumption – Last Ten Years.....	S13
Ten Largest Sewer Customers .....	S14
Ten Largest Water Customers.....	S15
Computation of Revenue Debt Coverage Ratios – Last Ten Years.....	S16
Computation of Special Assessment and Related Debt Coverage Ratios – Last Ten Years.....	S17
Sewer Debt by Total Debt Service.....	S18
Water Debt by Total Debt Service.....	S19
CONTINUING DISCLOSURE REQUIREMENTS:	
Nonagricultural Employment .....	S20
Ten Largest Employers in Wood County .....	S21
Wood County Demographic and Economic Statistics .....	S22
Number of Employees by Function.....	S23
Demographic Statistics.....	S24

**NORTHWESTERN WATER & SEWER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS, CONTINUED**

**IV. OTHER SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	O1- O2
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	O3- O4
Schedule of Expenditures of Federal Awards .....	O5
Notes to the Schedule of Expenditures of Federal Awards .....	O6
Schedule of Findings and Questioned Costs .....	O7
Schedule of Status of Prior Year (2007) Audit Findings .....	O8



June 4, 2009

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, 2008, is hereby submitted. This report follows guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). This report consists of management's representations concerning finances of the District. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

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



The District is required to undergo an annual audit in conformity with government auditing standards. Information related to this audit, includes the independent auditor's report on internal control over financial reporting and on compliance and other matters.

As part of the District's audit, described earlier, tests were made by the District's external auditors of its internal control structure and compliance with applicable laws and regulations. Although this testing is not sufficient to support a separate opinion on the District's internal control system or its overall compliance with laws, the audit for the year ended December 31, 2008 disclosed no material internal control weaknesses or material violations of laws and regulations.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and

Analysis (MD&A). This letter of transmittal is intended to compliment MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

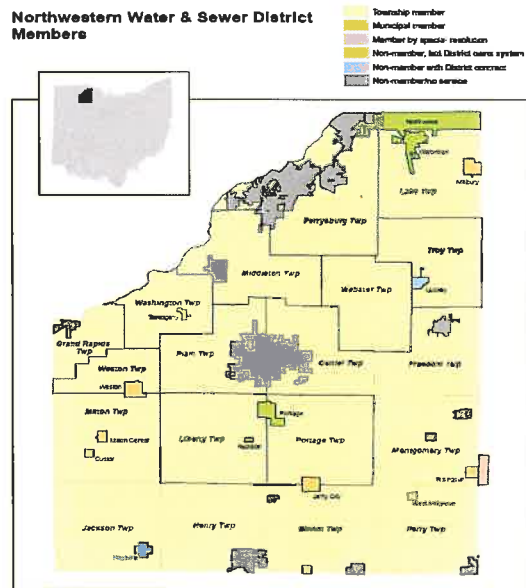
Included in the accompanying financial statements are all accounts of the Northwestern Water and Sewer District. For accounting purposes, the District is accounted for as a single enterprise fund. The reporting is described in Note 1 to the financial statements.

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

## **PROFILE OF THE DISTRICT**

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

In 1991, the County of Wood, Ohio, together with five municipalities and 14 townships, petitioned the Court of Common Pleas of Wood County for the establishment of a regional water and sewer district under Chapter 6119, Ohio Revised Code, to assume ownership and operation of the water and sewer facilities owned and operated by the County. The Court created the District on May 18, 1992 and approved a formal plan of operation on September 29, 1993. The District is currently comprised of 8 municipalities and 20 townships.



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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Wood County is centrally located in the Toledo Trade Area, and is classified as belonging to the Toledo Metropolitan Statistical Area (MSA). The 2008 population of the MSA is estimated to be approximately 649,000, of which the County accounted for approximately 125,340 in 2008. 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 2008 data compiled by the Ohio Office of Workforce Development, manufacturing accounted for 33% of the Wood County employment base. This was followed by service providing at 32% and trade, transportation and utilities at 12%. The average per year salary by manufacturing employees in the county in 2004 was \$49,051.

Higher education is also of major significance to the Wood County economy. Bowling Green State University, located in the City of Bowling Green, serves as the center of this activity. For the 2007-08 school year, the university had 21,000 students, 966 full-time faculty as well as 1,915 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2008 Owens had a student enrollment of 45,000 in over 130 program areas by a faculty of over 1,300 full and part-time. Students, faculty and staff members of both higher education facilities contribute heavily to the economy of Wood County.

### **Strategic Plan**

In 2008, the District established a strategic architecture that identified a mission statement, three key business drivers and action plans for each of the three business drivers. The action plans became the basis for establishing the 2008 budget. This process will continue in 2009 with results measured and compared to the plan. The main focus of the plan will be on how to continue to grow the District while not providing an undue financial burden on our customers.

## **Accounting Systems**

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

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

**Budgetary Controls** General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Executive Director is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply.

## **Cash Management**

The District currently only invests in the following major types of instruments: obligations issued or backed by the United States Government; the STAROhio Fund; or liquid asset management accounts. A portion of the District's investment portfolio is comprised of securities with longer maturity terms (three to five years) to more accurately match the time when the funds will be utilized and to take advantage of higher interest rates. All investments comply with the requirements of the Ohio Revised Code. Note 2 to the audited financial statement includes additional information on cash and investments.

## **Risk Management**



Medical, dental, vision and drug card insurance is purchased from Wood County Commissioners in Ohio through a cooperative arrangement. The District pays the State Worker's Compensation system a premium based on a rate per \$100 of salaries. The District maintains other insurance coverage for liability, property and crime. There have been no significant reductions in insurance coverage from 2007, and no insurance settlement has exceeded insurance coverage during the last three years. Note 9 to the audited financial statements disclose

information about risk management.

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

### **Debt Administration**

At year-end, the District had debt outstanding of \$36,985,734. 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**

#### **2008 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, 2007. This was the fifth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

#### **Village of Risingsun**

In September 2008, the District completed construction of a sewer collection system and a wastewater treatment plant for the Village of Risingsun. The project cost is approximately \$5 million and adds around 325 new customers to the District's sewer customer base.

## **Mandel Road Pump Station Replacement**



In 2008, the District replaced its Mandel Road sewer pump station. The District has an on-going plan to replace one major pumping station each year.

## **Ford Road Forcemain**

The District worked in 2008 to construct a new forcemain for the Ford Road pump station that will allow increased wastewater flows to be delivered to the City of Perrysburg wastewater treatment plant.

## **Rt 795 and Tracy Road and Oregon Road Sewer Trunk Line Repair**

During 2008, the district completed major repairs to its sewer trunk lines at Rt 795 and Tracy Road and Rt 795 and Oregon Road. The cost of these repairs was approximately \$2.8 million

## **INDEPENDENT AUDIT**

Included in this report is an unqualified opinion rendered on the District's financial statements for the year ended December 31, 2008, by Gilmore, Jasion and Mahler LTD., a firm of licensed independent certified public accountants. As part of the preparation of the comprehensive annual financial report, the District subjects its financial statements to an annual audit. The annual audit serves to strengthen the District's accounting, internal and budgetary controls.

## **ACKNOWLEDGEMENTS**

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

Respectfully submitted.

Jerry Greiner  
Executive Director

Dave E. Cook  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northwestern Water & Sewer  
District, Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

**DISTRICT OFFICIALS**

DECEMBER 31, 2008

**Board of Trustees**

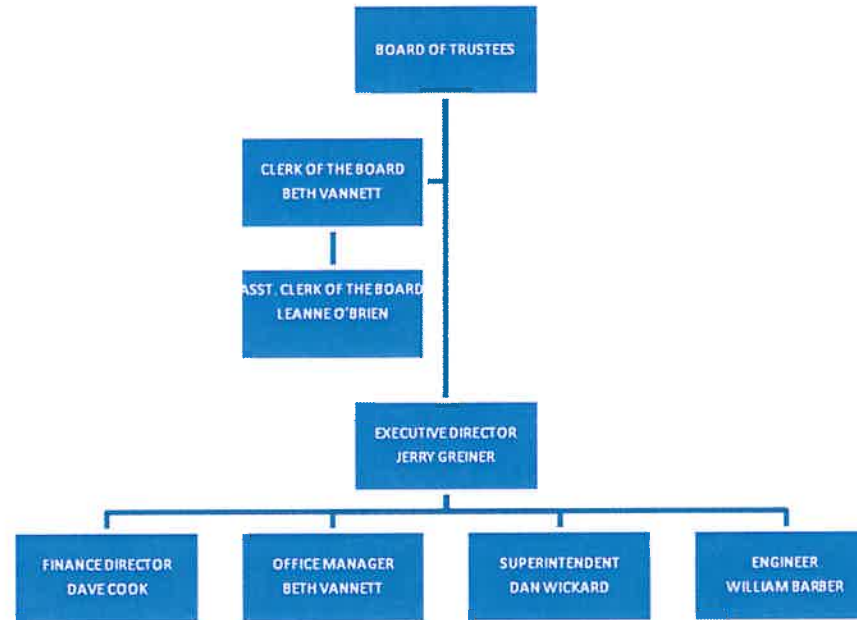
<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
President.....	John Cheney.....	7/21/92	12/31/10
Vice President.....	Alex Molner.....	1/16/97	12/31/12
Secretary/Treasurer.....	John M. Current.....	7/21/92	12/31/08
Member.....	John Ault.....	7/21/92	12/31/12
Member.....	William Hirzel.....	1/10/08	12/31/08
Member.....	Melinda Kale.....	1/11/07	12/31/08
Member.....	Lyle Schulte.....	1/01/99	12/31/10
Member.....	Adam Seibert.....	9/04/08	12/31/12
Member.....	Phillip Shaffer.....	9/14/95	12/31/10

**Senior Staff**

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



ORGANIZATIONAL CHART  
 NORTHWESTERN WATER AND SEWER DISTRICT  
 DECEMBER 31, 2008



Number of Employees by Department	
Administration	2
Engineering	9
Operations	31
Finance	3
Office	6
<b>Total Employees December 31, 2008</b>	<b>51</b>



GILMORE, JASON & MAHLER, LTD

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of net assets of the Northwestern Water & Sewer District (the "District") as of December 31, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 4, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards on page O5 is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The additional information on pages F32 – F40, which is presented for purposes of additional analysis, is not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the financial statements and in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and accordingly we express no opinion on them.

*Gilmore, Jason & Mahler, LTD*

June 4, 2009

## 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, 2008. 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 \$92,615,979 as of December 31, 2008.
- Net assets increased by \$2,476,847 in 2008.
- Of the increase in net assets, a decrease of \$1,338,959 was attributable to investment in capital assets, net of related debt. The remaining change of a net increase of \$3,815,806 was attributable to \$1,485,396 decrease in restricted net assets and \$5,301,202 increase in unrestricted assets.
- Debt increased \$7,105,801. Retirements of debt principal were \$4,564,272 and new issues of debt principal were \$11,670,073.

#### Overview of the Financial Statements

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

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

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

The tables below provide a summary of the District's financial position and operations. Net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the District's net assets, \$73.5 million (79%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Certain amounts may vary slightly due to differences caused by rounding to thousands.

## NORTHWESTERN WATER & SEWER DISTRICT

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

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

	2008	2007	2006	Change			
				2008/2007		2007/2006	
	Amt	%	Amt	%	Amt	%	
<b>Assets</b>							
Current assets	\$15,471	\$13,960	\$13,949	\$1,511	10.8%	\$ 11	.1%
Capital assets, net	105,431	98,176	95,334	7,255	7.4	2,842	3.0
Other non-current assets	11,313	10,717	10,461	596	5.6	256	2.4
<b>Total assets</b>	<b>132,215</b>	<b>122,853</b>	<b>119,744</b>	<b>9,362</b>	<b>7.6</b>	<b>3,109</b>	<b>2.6</b>
<b>Liabilities</b>							
Current liabilities	6,891	7,375	3,481	-484	-6.6	3,894	111.9
Long-term debt	32,708	25,339	26,621	7,369	29.1	-1,282	-4.8
<b>Total liabilities</b>	<b>39,599</b>	<b>32,717</b>	<b>30,102</b>	<b>6,882</b>	<b>21.0</b>	<b>2,612</b>	<b>8.7</b>
<b>Net assets</b>							
Invested in capital assets	73,491	74,830	70,996	-1,339	-1.8	3,834	5.4
Restricted	5,001	6,486	3,809	-1,485	-22.9	2,677	70.3
Unrestricted	14,124	8,823	14,838	5,301	60.1	-6,015	-40.5
<b>Total net assets</b>	<b>\$92,616</b>	<b>\$90,139</b>	<b>\$89,643</b>	<b>\$2,477</b>	<b>2.7%</b>	<b>\$2,770</b>	<b>3.2%</b>

Net assets increased by \$2,477 thousands during 2008 and by \$496 thousands during 2007. The majority of this change was due to the following:

- Capital assets increased by \$10,822,027 offset by related depreciation increase of \$47,706 in 2008 and \$6,244,138 offset by related depreciation increased by \$181,894 in 2007 due mainly to construction of water and sewer lines.
- Short-term debt, including current portion of long-term debt decreased by \$263,648 in 2008 related to borrowing for construction projects.

## NORTHWESTERN WATER & SEWER DISTRICT

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

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

	2008	2007	2006	Change			
				2008/2007		2007/2006	
	Amt			Amt	%	Amt	%
Utility Revenue	\$7,885	\$6,667	\$5,932	\$1,218	18.3%	\$735	12.4%
Fees and Permit	276	313	286	-37	-11.8	27	9.4
Contract Services	237	265	185	-28	-10.6	80	43.2
Other	188	170	121	18	10.6	49	40.5
Non-Operating Revenue	977	1,195	1,131	-218	18.2	64	5.7
<b>Total Revenues</b>	<b>9,563</b>	<b>8,610</b>	<b>7,655</b>	<b>953</b>	<b>11.1</b>	<b>955</b>	<b>12.5</b>
Depreciation & Amortization	3,627	3,596	3,401	31	0.9	195	5.7
Other Operating Expense	6,594	5,777	5,358	817	14.1	419	7.8
Non-Operating Expense	1,507	1,327	1,314	180	13.6	13	1.0
<b>Total Expenses</b>	<b>11,728</b>	<b>10,700</b>	<b>10,073</b>	<b>1,028</b>	<b>9.6</b>	<b>627</b>	<b>6.2</b>
Loss Before Aid In Construction	-2,165	-2,090	-2,418	-75	-3.4	328	13.6
Aid In Construction	4,642	2,586	5,187	2,056	79.5	-2,601	-50.1
<b>Changes in net assets</b>	<b>\$2,477</b>	<b>\$496</b>	<b>\$2,769</b>	<b>\$1,981</b>	<b>399.4%</b>	<b>\$-2,273</b>	<b>-82.1%</b>

Utility revenues increased in both 2008 and 2007 due to a combination of increased customer base and an increase in rates.

Non-operating revenues decreased in 2008 by \$218,000 and increased in 2007 by \$64,000 reflecting the affect of decreasing interest rates on the District's investments in 2008 and level interest rates 2007.

Other Operating Expense increased by \$817,000 caused by an increase in operating costs related to a decision by the Board to bring salaries in line with the mid-point of the American Water Works Association annual salary survey for similar utilities over a 3 year period and related increases in benefits. The District also began purchasing water from the City of Fostoria in 2008 increasing purchased water expense.

**NORTHWESTERN WATER & SEWER DISTRICT**

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

**Capital Assets**

At the end of 2008, the District had \$105,430,567 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$7.3 million, or 7.4% over 2007.

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

	2008	2007	Change	
			Amount	%
Land	\$ 411	\$ 411	\$ 0	0.0%
Construction in Progress	11,667	4,433	7,234	163.2
Water and Sewer Lines	79,823	79,626	197	0.2
Buildings, structures and improvements	11,240	11,685	-445	-3.8
Equipment	<u>2,290</u>	<u>2,021</u>	<u>269</u>	<u>13.3</u>
Totals	<u>\$105,431</u>	<u>\$98,176</u>	<u>\$7,255</u>	<u>7.4%</u>

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

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

**NORTHWESTERN WATER & SEWER DISTRICT**

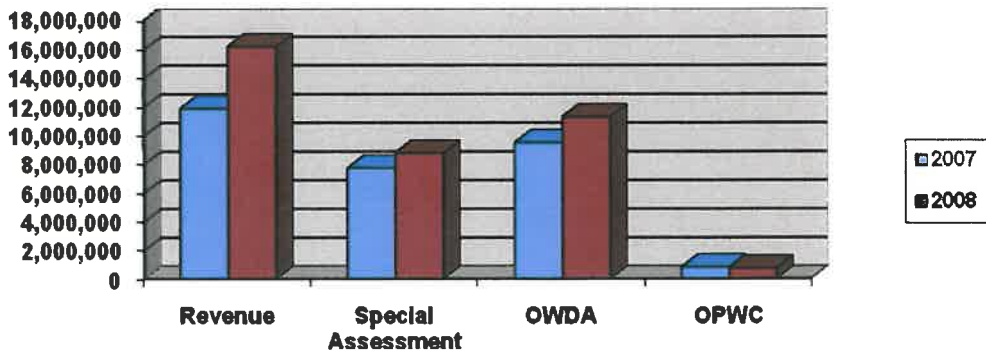
**Management's Discussion and Analysis  
(Unaudited)**

**Debt Administration**

At December 31, 2008 the District had total debt outstanding of \$36,985,734 compared to \$29,879,933 at December 31, 2007. This represents an increase of \$7,105,801. During 2008 the District issued \$11,670,073 of new debt and repaid \$4,564,272 in principal on outstanding debt. The District has ratings on its long-term debt of A3 from Moody's Investor Service and A+ from Standard and Poor's. This information should be read in conjunction with Notes 4 and 5 to the audited financial statements for more detailed information on long-term debt.

**Outstanding Debt at December 31,  
(In Thousands)**

	<u>2008</u>	<u>2007</u>
Revenue Bonds and Notes	\$16,192,114	\$11,860,928
Special Assessment Bonds and Notes	8,313,620	7,716,040
Ohio Water Development Authority Loans	11,287,047	9,490,837
Ohio Public Works Commission Loans	<u>1,192,953</u>	<u>812,128</u>
Total Debt	<u>\$36,985,734</u>	<u>\$29,879,933</u>





## **NORTHWESTERN WATER & SEWER DISTRICT**

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

#### **Economic Factors**

Based on a previous rate study, sewer rates were increased by 9.2% for 2008 for a customer using 1,000 cubic feet. Water rates were increased by 33.2%, effective January 1, 2008 for a customer using 1,000 cubic feet of water. Utility revenues for 2008 increased \$1,218,003 or 18.3% over 2007. In addition to the water and sewer rate increases were water volume decreased in 2008 of 4.4% and a sewer volume increase of 1.9% respectively. During 2008, a rate review was performed resulting in no change in the Sewer rates for 2009 and water rates will increase by 42.4% effective January 1, 2009 for an average customer. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every two years. The District is subject to the general slowdown in housing construction seen across the country.

In 2009, the District expects new residential construction to continue to be down substantially from previous years. The District is holding preliminary discussions with several municipalities about joining the District which could add 2,500 additional customers. CSX railroad has begun construction of an intermodal rail facility within the District's service territory during 2009.

#### **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, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents-unrestricted (Note 2)	\$ 1,468,163	\$ 1,401,450
Cash and cash equivalents-restricted (Note 2)	3,686,779	4,680,076
Investments-unrestricted (Note 2)	3,078,002	2,186,757
Investments-restricted (Note 2)	1,314,112	1,806,211
Accounts receivable - trade	2,353,609	2,084,478
Grants receivable	1,721,097	0
Current portion of special assessments	1,341,069	1,346,829
Inventory	437,310	389,656
Prepaid expenses	71,123	64,334
Total current assets	15,471,264	13,959,791
<b>Noncurrent assets</b>		
Capital assets (Note 3)		
Sewer and water lines	133,886,734	130,999,942
Buildings, pumps and lift stations	12,159,263	12,155,897
Machinery and equipment	3,433,154	2,998,031
Vehicles	1,579,547	1,444,556
Furniture and fixtures	231,168	224,607
Computer equipment	600,921	579,287
Improvements - Oregon waste water treatment plant	5,561,082	5,461,203
Total depreciable capital assets	157,451,869	153,863,523
Accumulated depreciation and amortization	(64,099,461)	(60,531,594)
Net depreciable capital assets	93,352,408	93,331,929
Land	411,357	411,357
Construction in progress	11,666,802	4,433,121
Net capital assets	105,430,567	98,176,407
<b>Other assets</b>		
Special assessments, less current portion	10,313,892	9,870,759
Reserve with county commissioners (Note 6)	258,351	258,351
Deferred loan costs, net of accumulated amortization of \$48,231 and \$40,553, respectively	43,682	47,064
Miscellaneous	697,678	540,683
Total other assets	11,313,603	10,716,857
Total noncurrent assets	116,744,170	108,893,264
Total assets	\$ 132,215,434	\$ 122,853,055

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF NET ASSETS, CONTINUED**  
**December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt (Note 5)	\$ 4,433,207	\$ 4,541,402
Accounts payable - trade	733,008	1,178,456
Compensated absences payable (Note 8)	270,916	243,253
Accrued payroll and payroll taxes	298,024	196,812
Accrued interest payable	498,754	504,918
Accounts due others	813,019	710,551
Total current liabilities	7,046,928	7,375,392
Long-term debt, less current portion (Note 5)	32,552,527	25,338,531
Total liabilities	39,599,455	32,713,923
<b>Net assets</b>		
Invested in capital assets, net of related debt	73,490,866	74,829,825
Restricted	5,000,891	6,486,287
Unrestricted	14,124,222	8,823,020
Total net assets	\$ 92,615,979	\$ 90,139,132

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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Operating revenues</b>		
Utility revenue	\$ 7,884,953	\$ 6,666,950
Fees and permits	276,492	312,521
Contract services	236,517	265,006
Other	188,089	170,143
Total operating revenues	<u>8,586,051</u>	<u>7,414,620</u>
<b>Operating expenses</b>		
Depreciation and amortization	3,627,379	3,596,269
Labor	2,130,560	1,959,954
Employee benefits	881,656	740,568
Professional services	459,296	456,024
Purchased water and sewer treatment	1,458,793	1,150,704
Materials and supplies	836,917	739,195
Utilities	405,061	393,127
Rent	5,244	5,660
Other	416,043	331,279
Total operating expenses	<u>10,220,949</u>	<u>9,372,780</u>
Operating loss	(1,634,898)	(1,958,160)
<b>Nonoperating revenues (expenses)</b>		
Interest income	892,996	1,164,560
Interest expense	(1,507,416)	(1,327,230)
Other income	83,960	30,884
Net nonoperating expenses	<u>(530,460)</u>	<u>(131,786)</u>
<b>Aid in construction</b>	<u>4,642,205</u>	<u>2,586,222</u>
<b>Change in net assets</b>	2,476,847	496,276
<b>Net assets - beginning</b>	<u>90,139,132</u>	<u>89,642,856</u>
<b>Net assets - ending</b>	<u>\$ 92,615,979</u>	<u>\$ 90,139,132</u>

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Cash flows from operations</b>		
Cash received from customers	\$ 8,316,920	\$ 7,249,142
Cash payments to suppliers for goods and services	(4,154,999)	(2,372,958)
Cash payments to employees for services	(2,883,341)	(2,665,475)
Net cash provided by operations	1,278,580	2,210,709
 <b>Cash flows from capital and related financing activities</b>		
Aid in construction	914,273	1,648,608
Acquisition and construction of capital assets	(10,874,483)	(6,402,620)
Proceeds from sale of capital assets	3,567	39,521
Proceeds from issuance of long-term debt	11,670,073	3,105,427
Repayment of long-term debt	(4,564,272)	(1,422,864)
Collections on special assessments	804,265	720,937
Interest paid	(1,513,580)	(1,324,871)
Net cash used in capital and related financing activities	(3,560,157)	(3,635,862)
 <b>Cash flows from investing activities</b>		
Interest received	892,996	1,164,560
Proceeds on sale of investments	5,701,494	4,848,303
Purchases of investments	(5,239,497)	(1,003,990)
Net cash provided by investing activities	1,354,993	5,008,873
 Increase (decrease) in cash and cash equivalents	(926,584)	3,583,720
 Cash and cash equivalents - beginning of the year	6,081,526	2,497,806
 Cash and cash equivalents - end of year	\$ 5,154,942	\$ 6,081,526
 Restricted cash and cash equivalents	\$ 3,686,779	\$ 4,680,076
Unrestricted cash and cash equivalents	\$ 1,468,163	\$ 1,401,450

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, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operations</b>		
Operating loss	\$ (1,634,898)	\$ (1,958,160)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,627,379	3,596,269
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable - trade	(269,131)	(165,478)
Inventory	(47,654)	(103,814)
Other assets	(183,011)	(85,661)
Accounts payable - trade	(445,448)	711,867
Accrued payroll and payroll taxes	128,875	35,047
Accounts due to others	102,468	180,639
Total adjustments	2,913,478	4,168,869
Net cash provided by operations	\$ 1,278,580	\$ 2,210,709

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, 2008 and 2007**

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

**Reporting Entity**

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

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

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

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

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS-CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

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

**Basis of Accounting**

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, In accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions and Accounting Research Bulletins issued after November 30, 1989, unless they conflict with GASB pronouncements.

**Measurement Focus**

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

**Use of Estimates**

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

**Budgetary Process**

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

**Cash and Cash Equivalent**

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

**Accounts Receivable - Trade**

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

**Deferred Loan Costs**

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



**NORTHWESTERN WATER & SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS-CONTINUED  
 For The Years Ended December 31, 2008 and 2007**

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

**Special Assessments Receivable**

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

**Inventory**

Inventory items are stated at lower of cost or market. The first-in, first-out (FIFO) accounting method is used for inventory. Inventory consists primarily of water meters and maintenance parts and supplies for the water and sewer lines.

**Capital Assets**

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

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

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

Construction in process includes all of the District's costs to develop capital asset projects. The projects are funded through Board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District capitalized interest of \$0 for the years ended December 31, 2008 and 2007.

**Investments**

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

**Compensated Absences**

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2008 and 2007**

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

**Revenues and Expenses**

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

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

**Aid in Construction**

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

**Net Assets**

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

The District's Board of Trustees has designated unrestricted net assets of \$4,630,126 and \$3,865,426 as of December 31, 2008 and 2007, 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, 55% and 45%, respectively, in 2008 and 62% and 38%, respectively, in 2007.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2008 and 2007**

**NOTE 2 - CASH AND INVESTMENTS**

**Deposits**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. The carrying value of the District's deposits was \$1,468,163 and \$1,401,450 at December 31, 2008 and 2007, respectively. Of the bank balance at December 31, 2008 \$250,000 was covered by federal depository insurance and \$1,552,714 and \$1,454,321, as of December 31, 2008 and 2007, respectively, was covered by collateral held by the pledging financial institution, but not in the name of the District.

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2008 and 2007**

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

**Investments, Continued**

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. In 2008 and 2007, the District's investment in Federal Home Loan Bank Notes represents 22% and 34% of the District's total investments, respectively. The District's investment in Federal National Mortgage Association Notes represents 9% and 41% of the District's total investments in 2008 and 2007, respectively.

The District's investments consist of the following:

<u>INVESTMENT</u>	<u>2007</u> CARRYING/ FAIR VALUE	<u>2008</u> CARRYING/ FAIR VALUE	<u>Maturity</u> Less than 1 year
U.S. Treasuries and Federal Agency Obligations	\$ 3,436,439	\$ 3,197,377	\$ 2,878,868
Money Market Mutual Funds	556,529	1,194,737	1,194,737
STAR Ohio	<u>4,680,076</u>	<u>3,686,779</u>	<u>3,686,779</u>
Total Investments (including restricted)	<u>\$ 8,673,044</u>	<u>\$ 8,078,893</u>	<u>\$ 7,760,384</u>

Classification in the Statement of Net Assets:

	<u>2008</u>	<u>2007</u>
Cash and Equivalents:		
Current	\$ 1,468,163	\$ 1,401,450
Restricted for debt retirement	<u>3,686,779</u>	<u>4,680,076</u>
Total	<u>\$ 5,154,942</u>	<u>\$ 6,081,526</u>
Investments:		
Current	\$ 3,078,002	\$ 2,186,757
Restricted for debt retirement	<u>1,314,112</u>	<u>1,806,211</u>
Total	<u>\$ 4,392,114</u>	<u>\$ 3,992,968</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2008 is as follows:

	<b>Balance at December 31, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at December 31, 2008</b>
<b>Non-depreciable</b>					
Land	\$ 411,357	\$ 0	\$ 0	\$ 0	\$ 411,357
Construction in progress	4,433,121	10,365,736		(3,132,055)	11,666,802
Total non-depreciable	<u>4,844,478</u>	<u>10,365,736</u>	<u>0</u>	<u>(3,132,055)</u>	<u>12,078,159</u>
<b>Depreciable</b>					
Sewer and water lines	130,999,942	96,513		2,790,279	133,886,734
Buildings, pumps and lift station	12,155,897	3,366			12,159,263
Machinery and equipment	2,998,031	193,226		241,897	3,433,154
Vehicles	1,444,556	154,106	19,115		1,579,547
Furniture and fixtures	224,607	6,561			231,168
Computer equipment	579,287	46,509	24,875		600,921
Improvements - Oregon waste					
Water treatment plant	5,461,203	0		99,879	5,561,082
Total depreciable cost	<u>153,863,523</u>	<u>500,281</u>	<u>43,990</u>	<u>3,132,055</u>	<u>157,451,869</u>
Totals at historical cost	<u>158,708,001</u>	<u>10,866,017</u>	<u>43,990</u>	<u>0</u>	<u>169,530,028</u>
<b>Accumulated depreciation</b>					
Sewer and water lines	51,359,682	2,704,508			54,064,190
Buildings, pumps and lift station	4,515,722	386,052			4,901,774
Machinery and equipment	1,985,071	136,021			2,121,092
Vehicles	698,915	161,863	19,115		841,663
Furniture and fixtures	115,636	19,753			135,389
Computer equipment	426,021	50,202	19,288		456,935
Improvements - Oregon waste					
Water treatment plant	1,430,547	147,871			1,578,418
Total accumulated depreciation	<u>60,531,594</u>	<u>3,606,270</u>	<u>38,403</u>	<u>0</u>	<u>64,099,461</u>
Capital assets, net	<u>\$ 98,176,407</u>	<u>\$ 7,259,747</u>	<u>\$ 5,587</u>	<u>\$ 0</u>	<u>\$ 105,430,567</u>
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,608,152			
Amortization of loan costs		19,227			
Total Depreciation and amortization		<u>\$ 3,627,379</u>			

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

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

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

	<b>Balance at December 31, 2006</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at December 31, 2007</b>
<b>Non-depreciable</b>					
Land	\$ 411,357	\$ 0	\$ 0	\$ 0	\$ 411,357
Construction in progress	2,548,629	5,437,549		(3,553,057)	4,433,121
Total non-depreciable	<u>2,959,986</u>	<u>5,437,549</u>	<u>0</u>	<u>(3,553,057)</u>	<u>4,844,478</u>
<b>Depreciable</b>					
Sewer and water lines	128,683,644	192,782		2,123,516	130,999,942
Buildings, pumps and lift station	10,726,356			1,429,541	12,155,897
Machinery and equipment	2,495,589	502,442			2,998,031
Vehicles	1,376,771	226,267	158,482		1,444,556
Furniture and fixtures	224,607				224,607
Computer equipment	535,707	43,580			579,288
Improvements - Oregon waste					
Water treatment plant	5,461,203				5,461,202
Total depreciable cost	<u>149,503,877</u>	<u>965,071</u>	<u>158,482</u>	<u>3,553,057</u>	<u>153,863,523</u>
Totals at historical cost	<u>152,463,863</u>	<u>6,402,620</u>	<u>158,482</u>	<u>0</u>	<u>158,708,001</u>
<b>Accumulated depreciation</b>					
Sewer and water lines	48,737,074	2,622,608			51,359,682
Buildings, pumps and lift station	4,168,500	347,222			4,515,722
Machinery and equipment	1,747,029	238,042			1,985,071
Vehicles	746,134	111,263	158,482		698,915
Furniture and fixtures	92,841	22,795			115,636
Computer equipment	350,450	75,571			426,021
Improvements - Oregon waste					
Water treatment plant	1,287,602	142,945			1,430,547
Total accumulated depreciation	<u>57,129,630</u>	<u>3,560,446</u>	<u>158,482</u>	<u>0</u>	<u>60,531,594</u>
Capital assets, net	<u>\$ 95,334,233</u>	<u>\$ 2,842,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,176,407</u>
<b>Depreciation expense charged</b>					
to operating expense		\$ 3,560,446			
Amortization of loan costs		35,823			
Total Depreciation and amortization		<u>\$ 3,596,269</u>			

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT**

Ohio Water Development Authority loans payable

The District has twelve loans with the Ohio Water Development Authority (OWDA) to finance the cost of developing and improving the water and sewer systems. The following table shows remaining principal amounts outstanding on the individual loans as of December 31, 2008 and 2007:

<u>Project Number</u>	<u>Date of Loan</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>2008 Amount Outstanding</u>	<u>2007 Amount Outstanding</u>
SS #140	09/29/94	1,065,000	4.18%	07/01/14	\$ 415,949	\$ 475,778
WL #234	07/27/95	5,496,313	6.36%	01/01/16	2,869,431	3,161,644
WL #167-183	05/27/99	3,503,947	5.56%	07/01/20	2,536,504	2,681,874
SS #904 & WL #904	08/31/00	1,660,596	3.0% - 6.39%	01/01/21	1,188,405	1,249,024
WL #300	10/28/04	90,500	4.10%	01/01/25	79,465	82,779
WL #318	9/31/04	338,000	4.56%	07/01/24	293,542	305,733
SS #1000	11/04/04	168,224	4.56%	07/01/24	146,022	152,111
Weston 2918	02/25/93	943,552	2.00%	01/01/19	453,566	492,054
Weston 1433	05/06/82	645,201	12.00%	01/01/08	0	36,720
Weston 3587	09/26/01	560,079	1.50%	07/01/23	435,341	461,040
Weston 4046	02/26/04	420,316	1.50%	07/01/25	364,991	383,709
Williamsburg 4715	05/31/07	71,100	3.20%	01/01/13	23,088	0
RisingSun #4807	10/25/07	2,506,841	4.41%	10/25/10	2,480,743	8,371
					<u>\$ 11,287,047</u>	<u>\$ 9,490,837</u>

Other long-term loans at December 31, 2008 and 2007 are as follows:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2008 Amount Outstanding</u>	<u>2007 Amount Outstanding</u>
12/01/97	Jerry City SS/Cygnets Lagoon	6.04%	12/01/36	\$ 198,889	\$ 201,607
08/13/98	Jerry City SS #1800 OPWC loan	0.00%	07/01/19	278,131	303,415
09/08/98	Jerry City SS #1800 USDA loan	4.75%	09/08/38	255,700	259,500
07/01/03	W Boundary Rehab OPWC loan	0.00%	07/01/13	86,490	103,789
12/05/05	Easterly OPWC Loan	0.00%	01/01/17	147,324	164,657
9/26/2007	2007 Series B SA Bonds	4.10%	09/26/08	0	960,000
10/31/2007	Series 2007 Revenue Ban	4.00%	10/30/08	0	2,092,000
07/31/04	Jerry City WL #CE37F	0.00%	01/01/25	160,150	169,856
11/03/04	Rudolph SS #CE33E	0.00%	07/01/24	66,269	70,411
				<u>\$ 1,192,953</u>	<u>\$ 4,325,235</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
For The Years Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT, continued**

Bonded debt at December 31, 2008 and 2007 is as follows:

Date of Issue	Purpose	Original Amount	Interest Rates	Maturity Date	2008	2007
					Amount Outstanding	Amount Outstanding
09/17/96	Special assessment bond	277,159	6.20%	12/01/16	\$ 111,000	\$ 125,000
10/01/98	Special assessment bond	360,000	4.25 - 5.25%	10/01/18	175,000	195,000
09/23/99	Special assessment bond	500,000	5.85%	12/01/19	340,000	360,000
09/20/00	Special assessment bond	175,000	6.13%	12/01/20	110,000	115,000
03/01/02	2002 revenue bond	4,235,000	3.00 - 5.25%	12/01/21	1,875,000	2,055,000
06/07/02	Special assessment bond	957,578	4.75%	11/01/22	700,000	748,000
09/01/02	Special assessment bond	74,000	2.91 - 5.10%	12/01/22	60,378	63,474
09/01/02	Special assessment bond	1,121,000	2.91 - 5.10%	12/01/22	914,621	961,525
03/20/03	USDA building construction	2,975,000	4.63%	03/20/33	2,713,169	2,770,374
09/01/03	Special assessment bond	1,245,000	2.00 - 5.35%	09/01/23	1,034,999	1,080,000
06/28/04	USDA Revenue bond	796,000	4.375%	06/01/44	770,700	779,500
09/08/04	USDA Special assessment bond	820,000	4.75%	09/01/24	711,200	740,400
09/15/04	Special assessment bond	2,165,000	2.00 - 5.00%	12/01/24	1,891,809	1,979,151
09/15/04	Revenue bond	2,000,000	2.00 - 5.00%	12/01/24	1,714,999	1,794,999
08/01/05	Revenue bond	1,200,000	3.00 - 5.00%	12/01/25	1,124,256	1,177,448
08/16/06	Revenue bond	1,010,000	4.00-4.65%	12/31/26	955,000	990,000
02/16/06	Rotary Commission loan	168,026	5.00%	03/01/26	128,990	128,990
08/27/08	Revenue bond	6,910,000	3.00-5.00%	12/01/19	6,910,000	0
09/03/08	Special assessment bond	2,205,000	3.00%	12/01/09	2,264,613	0
					<b>\$ 24,505,734</b>	<b>\$ 16,063,861</b>

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



**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT, continued**

Long-term debt activity for the year ended December 31, 2008 is as follows:

	Balance at December 31, 2007	Additions	Reductions	Balance at December 31, 2008	Amount due in 2009
OWDA - SS #140	\$ 475,778		\$ 59,829	\$ 415,949	\$ 62,356
OWDA - WL #234	3,161,644		292,213	2,869,431	310,798
OWDA - WL #167 - 183	2,681,874		145,370	2,536,504	153,564
OWDA - SS #904 & WL #904	1,249,024		60,619	1,188,405	64,554
OWDA - SS #1000	152,111		6,089	146,022	6,369
OWDA- WL #300	82,779		3,314	79,465	3,452
OWDA - Williamsburg	0	23,088	0	23,088	23,088
Weston 2918	492,054		38,488	453,566	39,258
Weston 1433	36,720		36,720	0	0
Weston 3587	461,040		25,699	435,341	26,086
Weston 4046	383,709		18,718	364,991	19,000
Jerry City SS/Cygnnet Lagoon	201,607		2,718	198,889	2,883
Jerry City SS #1800 OPWC loan	303,415		25,284	278,131	25,285
Jerry City SS #1800 USDA loan	259,500		3,800	255,700	4,000
W Boundary Rehab OPWC loan	103,789		17,299	86,490	17,298
Jerry City WL #CE37F (WL 318)	169,856		9,706	160,150	9,706
Easterly OPWC loan	164,657		17,333	147,324	17,332
Rudolph SS1000 #CE33E	70,411		4,142	66,269	4,142
Special assessments bond - WL 183C	125,000		14,000	111,000	14,000
Special assessments bond	195,000		20,000	175,000	15,000
Special assessments bond - 1999	360,000		20,000	340,000	25,000
Special assessments bond - 2000	115,000		5,000	110,000	10,000
2002 revenue bond	2,055,000		180,000	1,875,000	180,000
Special assessments bond - Stearns Crest	748,000		48,000	700,000	48,000
Special assessments bond - 2002	63,474		3,096	60,378	3,096
Special assessments bond - 2002	961,525		46,904	914,621	46,904
USDA building construction	2,770,374		57,205	2,713,169	59,851
Special assessments bond - 2003	1,080,000		45,001	1,034,999	50,000
USDA Revenue bond- Rudolph Bond	779,500		8,800	770,700	9,200
USDA Special assessment bond - Jerry City	740,400		29,200	711,200	30,500
Special assessment bond	1,979,151		87,342	1,891,809	85,000
Revenue bond - Series 2004A	1,794,999		80,000	1,714,999	80,000
OWDA Jerry City - WL 318	305,733		12,191	293,542	12,753
Revenue bond - Series 2005A	1,177,448		53,192	1,124,256	50,000
2006A Revenue bond	990,000		35,000	955,000	35,000
2007 Series B SA Bonds	960,000		960,000	0	0
Series 2007 Revenue Ban	2,092,000		2,092,000	0	0
Rotary commision loan	128,990		0	128,990	128,990
Risingsun - OWDA Short Term	8,371	2,472,372	0	2,480,743	2,480,743
2008 Revenue bond	0	6,910,000	0	6,910,000	230,000
2008 Special assessment bond	0	2,264,613	0	2,264,613	50,000
Total	<u>\$ 29,879,933</u>	<u>\$ 11,670,073</u>	<u>\$ 4,564,272</u>	<u>\$ 36,985,734</u>	<u>\$ 4,433,207</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

**NOTE 4 - DEBT, continued**

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

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Years Ended December 31, 2008 and 2007**

**NOTE 5 - DEBT**

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2008 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,433,207	\$ 1,611,358	\$ 6,044,565
2010	1,928,085	1,516,196	3,444,281
2011	1,958,383	1,430,483	3,388,866
2012	1,990,981	1,300,618	3,291,599
2013	2,075,705	1,254,676	3,330,381
2014-2015	4,433,808	2,214,893	6,648,701
2016-2020	9,738,834	3,856,290	13,595,124
2021-2025	6,532,341	1,807,251	8,339,592
2026-2030	2,870,739	563,481	3,434,220
2031-2035	696,003	149,152	845,155
2036-2040	173,246	56,179	229,425
2041-2044	154,400	17,251	171,651
Total	<u>\$ 36,985,732</u>	<u>\$ 15,777,828</u>	<u>\$ 52,763,560</u>

At December 31, 2008 and 2007, respectively, the District had \$5,000,891 and \$6,486,287 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, 2008 and 2007, \$10,272,913 and \$1,401,000 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 2008 and 2007, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,351 as of December 31, 2008 and 2007.

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, 2008 and 2007**

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

At December 31, 2008 and 2007, \$1,990,085 and \$1,995,083, 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 2008 and 2007, or in prior years on this reserve.

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of qualifying gross wages for all employees. The total 2008 and 2007 employer contribution rate was 14% and 13.85%, respectively, of covered payroll. The District's contributions to PERS for the years ending December 31, 2008 and 2007 and 2006 were \$335,302, \$297,561, and \$265,804, respectively. All required contributions were made prior to each of those fiscal year ends. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 and 2007 employer contribution rate was 7% of covered payroll; and 6.0% of covered payroll, respectively, was the portion that was used to fund health care for 2008, which is \$149,061 for 2008. The percent of 6.0 was used to fund health care for 2007, which is \$108,965 for 2007.

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, 2008 and 2007**

**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, 2007. The following significant actuarial assumptions were used in this valuation:

Funding Method

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

Assets Valuation Method

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

Investment Return

The investment assumption rate was 6.5%.

Active Employee Total Payroll

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

Health Care Costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 4.0% for the next 7 years. In subsequent years (8 and beyond) health care cost were assumed to increase at 4.0% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2008 was 363,503. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$12.8 billion as of December 31, 2007. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

**NOTE 8 - COMPENSATED ABSENCES**

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

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

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Year Ended December 31, 2008 and 2007**

**NOTE 8 - COMPENSATED ABSENCES, continued**

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

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

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

In accordance with GASB No. 16, "Accounting for Compensated Absences," the District has recorded an estimated liability of \$144,158 and \$126,641 as of December 31, 2008 and 2007, respectively, for sick leave payable. Sick leave benefits are accrued using the termination method. The change in sick leave payable as of December 31, 2008 and 2007 was \$17,517 and \$9,556, respectively. The District also has recorded an estimated liability of \$98,486 and \$86,908 as of December 31, 2008 and 2007, respectively, for vacation pay. The change in vacation pay as of December 31, 2008 and 2007 was \$11,578 and \$7,659, respectively. Furthermore, the District has recorded an estimated liability of \$28,272 and \$29,704 as of December 31, 2008 and 2007, respectively, for compensatory banked time. The change in compensatory banked time as of December 31, 2008 and 2007 was \$(1,432) and \$3,576, respectively.

**NOTE 9 - INSURANCE**

The District maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage between 2008 and 2007. There have been no significant reductions in insurance coverage from 2007, and no insurance settlement has exceeded insurance coverage during the last four years.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Grants**

The District has received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of District management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2008.

**Construction Commitments**

At December 31, 2008 and 2007, the District has construction commitments, on which work has not commenced, totaling approximately \$0 and \$5,416,831, respectively, which will be funded by existing resources or the issuance of new revenue debt. All projects were current at December 31, 2008 due to the struggling economy slowing down the rate at which new projects are won.

**NORTHWESTERN WATER & SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS-CONTINUED  
For The Year Ended December 31, 2008 and 2007**

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

**System Development Fees**

By settlement agreement dated September 14, 2000 relating to litigation between the District and the City of Northwood (the City), the parties resolved all claims asserted. The District agreed to pay to Northwood system development fees collected within the City for a ten (10) year term beginning in 1999 in an aggregate amount not to exceed \$500,000. Northwood relinquished any claim that it owns the District's facilities and any claim to appropriate the facilities. In 2008 and 2007, the District remitted system development fees of approximately \$1,150 and \$42,000, respectively, for cumulative fees paid under the agreement of \$489,052 at December 31, 2008.

**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, 2008, there are two such ordered areas with preliminary or updated cost estimates totaling \$6.0 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 \$3,785,583 at December 31, 2008 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,795,498 of which would have qualified for loans from the Rotary Commission and Wood County Commissioners pursuant to Section 6103.051 of the Ohio Revised Code, had these funds been available from the Rotary Commission. As these receivables become due and payable only in the event the properties no longer qualify, and therefore collection is uncertain, they have not been reported in the financial statements.

**NOTE 11 - NON-CASH TRANSACTIONS**

Special assessments of \$1,647,322 and \$2,029,399 were recognized and recorded as aid in construction in 2008 and 2007, respectively.

Developers dedicated water and sewer lines with total costs of \$0 and \$607,000 in 2008 and 2007, respectively, with such contributions recorded as aid in construction.

Increase in fair value of investments as of December 31, 2008 and 2007 was \$90,339 and \$(14,737), respectively.

**NORTHWESTERN WATER & SEWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**For The Years Ended December 31, 2008 and 2007**

**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, 2008 and 2007 is as follows:

	2008			2007		
	Water	Sewer	Total	Water	Sewer	Total
<b>Statement of net assets</b>						
Current assets	\$ 6,320,708	\$ 9,150,556	\$15,471,264	\$ 6,352,356	\$ 7,607,435	\$13,959,791
Capital assets	43,588,756	61,841,811	105,430,567	42,506,503	55,669,904	98,176,407
Other assets	6,812,763	4,500,840	11,313,603	6,073,850	4,643,007	10,716,857
Total assets	56,722,227	75,493,207	132,215,434	54,932,709	67,920,346	122,853,055
Current liabilities	1,990,539	5,056,389	7,046,928	3,941,241	3,434,151	7,375,392
Long-term liabilities	15,805,876	16,746,651	32,552,527	12,724,267	12,614,264	25,338,531
Total liabilities	17,796,415	21,803,040	39,599,455	16,665,508	16,048,415	32,713,923
Invested in capital assets, net of related debt	29,792,387	43,698,479	73,490,866	30,287,294	44,542,531	74,829,825
Restricted	3,079,234	1,921,657	5,000,891	3,535,542	2,950,745	6,486,287
Unrestricted	6,054,191	8,070,031	14,124,222	4,444,365	4,378,655	8,823,020
Total net assets	\$38,925,812	\$53,690,167	\$92,615,979	\$38,267,201	\$51,871,931	\$90,139,132
<b>Statement of revenues, expenses, and change in net assets</b>						
Utility revenues	\$ 3,906,717	\$ 3,978,236	\$ 7,884,953	\$ 3,224,129	\$ 3,442,821	\$ 6,666,950
Other revenues	395,200	305,898	701,098	448,117	299,553	747,670
Total operating revenues	4,301,917	4,284,134	8,586,051	3,672,246	3,742,374	7,414,620
Depreciation and amortization	1,465,972	2,161,407	3,627,379	1,361,439	2,234,830	3,596,269
Other operating expenses	3,907,995	2,685,575	6,593,570	2,891,242	2,885,269	5,776,511
Total operating expenses	5,373,967	4,846,982	10,220,949	4,252,681	5,120,099	9,372,780
Operating loss	(1,072,050)	(562,848)	(1,634,898)	(580,435)	(1,377,725)	(1,958,160)
Interest expense	(755,679)	(751,737)	(1,507,416)	(791,589)	(535,641)	(1,327,230)
Other nonoperating Revenues	527,668	449,288	976,956	634,240	561,204	1,195,444
Total nonoperating revenues (expenses)	(228,011)	(302,449)	(530,460)	(157,349)	25,563	(131,786)
Aid in construction	1,958,669	2,683,536	4,642,205	1,777,303	808,919	2,586,222
Change in net assets	658,608	1,818,239	2,476,847	1,039,519	(543,243)	496,276
Beginning net assets	38,267,201	51,871,931	90,139,132	37,227,682	52,415,174	89,642,856
Ending net assets	\$38,925,809	\$53,690,170	\$92,615,979	\$38,267,201	\$51,871,931	\$90,139,132
<b>Statement of cash flows</b>						
Net cash provided by (used in)						
Operating activities	\$ 38,010	\$ 1,240,570	\$ 1,278,580	\$ 945,683	\$ 1,265,026	\$ 2,210,709
Capital and related financing	(2,406,890)	(1,153,267)	(3,560,157)	(948,032)	(2,687,830)	(3,635,862)
Investing	2,367,515	(1,012,522)	1,354,993	1,595,483	3,413,390	5,008,873
Cash at beginning of year	2,695,367	3,386,159	6,081,526	1,102,233	1,395,573	2,497,806
Cash at end of year	\$ 2,694,002	\$ 2,460,940	\$ 5,154,942	\$ 2,695,367	\$ 3,386,159	\$ 6,081,526



**SUPPLEMENTAL INFORMATION**

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - BUDGET TO ACTUAL  
December 31, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Operating Revenue				
Utility Revenues	\$ 8,560,125	\$ 8,935,125	\$ 7,884,953	\$ 1,050,172
Other Operating Revenues	20,000	20,000	701,098	(681,098)
Non-operating Revenue				
Interest	983,000	983,000	892,996	90,004
Total Revenues	<u>9,563,125</u>	<u>9,938,125</u>	<u>9,479,047</u>	<u>459,078</u>
<b>Expenses</b>				
Operating Expenses				
Operations and Maintenance	6,360,380	6,735,380	6,509,610	225,770
Debt Retirement	8,363,820	8,363,820	6,071,688	2,292,132
Total Expenses	<u>14,724,200</u>	<u>15,099,200</u>	<u>12,581,298</u>	<u>2,517,902</u>
Operating Loss	(5,161,075)	(5,161,075)	(3,102,251)	(2,058,824)
<b>Reconciliation to Change in Net Assets</b>				
Aid in Construction				
Grants	2,056,500	2,056,500	1,773,147	283,353
System Development Fees	650,000	650,000	662,550	(12,550)
Other	40,000	40,000	474,100	(434,100)
Antidegradation Credits	50,000	50,000	85,085	(35,085)
Special Assessment Principal	774,000	774,000	1,647,323	(873,323)
Total Aid in Construction	<u>3,570,500</u>	<u>3,570,500</u>	<u>4,642,205</u>	<u>(1,071,705)</u>
Change in Net Assets	<u>\$ (1,590,575)</u>	<u>\$ (1,590,575)</u>	<u>\$ 1,539,954</u>	<u>\$ (3,130,529)</u>

Note to supplementary information

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

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

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

	<b>2008</b>
Change in Net Assets	\$ 1,539,954
Depreciation	(3,627,379)
Principal payments on debt	4,564,272
Change in net assets	<u>\$ 2,476,847</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION**  
**December 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents-unrestricted	\$ 401,336	\$ 1,066,827	\$ 0	\$ 1,468,163
Cash and cash equivalents-restricted	2,292,666	1,394,113		3,686,779
Investments-unrestricted	552,789	2,525,213		3,078,002
Investments-restricted	786,568	527,544		1,314,112
Accounts Receivable - trade	1,030,772	1,322,837		2,353,609
Grants receivable	66,477	1,654,620		1,721,097
Current portion of special assessments	835,609	505,460		1,341,069
Inventory	327,158	110,152		437,310
Prepaid expenses	27,333	43,790		71,123
Total current assets	<u>6,320,708</u>	<u>9,150,556</u>	<u>0</u>	<u>15,471,264</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Sewer and waterlines	56,550,312	77,336,422		133,886,734
Buildings, pumps and lift stations	3,863,822	8,295,441		12,159,263
Machinery and equipment	1,646,510	1,786,644		3,433,154
Vehicles	499,345	1,080,202		1,579,547
Furniture and fixtures	87,540	143,628		231,168
Computer equipment	227,849	373,072		600,921
Improvements - Oregon waste water trtmt. plant	2,382,710	3,178,372		5,561,082
Total depreciable capital assets	<u>65,258,088</u>	<u>92,193,781</u>	<u>0</u>	<u>157,451,869</u>
Accumulated depreciation	(22,448,649)	(41,650,812)		(64,099,461)
Net depreciable capital assets	<u>42,809,439</u>	<u>50,542,969</u>	<u>0</u>	<u>93,352,408</u>
Land	42,083	369,274		411,357
Construction in process	737,234	10,929,568		11,666,802
Net capital assets	<u>43,588,756</u>	<u>61,841,811</u>	<u>0</u>	<u>105,430,567</u>
<b>Other assets</b>				
Special assessments, less current portion	6,403,376	3,910,516		10,313,892
Reserve with county commissioners	36,657	221,694		258,351
Deferred loan costs, net of accumulated amortization of \$40,553	43,682	0		43,682
Miscellaneous	329,048	368,630		697,678
Total other assets	<u>6,812,763</u>	<u>4,500,840</u>	<u>0</u>	<u>11,313,603</u>
Total noncurrent assets	<u>50,401,519</u>	<u>66,342,651</u>	<u>0</u>	<u>116,744,170</u>
Total assets	<u>\$ 56,722,227</u>	<u>\$ 75,493,207</u>	<u>\$ 0</u>	<u>\$ 132,215,434</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED**  
**December 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 1,114,985	\$ 3,318,222	\$ 0	\$ 4,433,207
Accounts payable - trade	261,301	471,707		733,008
Compensated absences payable	121,912	149,004		270,916
Accrued payroll and payroll taxes	145,259	152,765		298,024
Accrued interest payable	268,796	229,958		498,754
Amounts due others	78,286	734,733		813,019
Total current liabilities	<u>1,990,539</u>	<u>5,056,389</u>	<u>0</u>	<u>7,046,928</u>
 Long-term debt, less current portion	 <u>15,805,876</u>	 <u>16,746,651</u>	 <u></u>	 <u>32,552,527</u>
Total liabilities	<u>17,796,415</u>	<u>21,803,040</u>	<u>0</u>	<u>39,599,455</u>
 <b>Net assets</b>				
Invested in capital assets, net of related debt	29,792,387	43,698,479		73,490,866
Restricted	3,079,234	1,921,657		5,000,891
Unrestricted	<u>6,054,191</u>	<u>8,070,031</u>		<u>14,124,222</u>
Total net assets	<u>\$ 38,925,812</u>	<u>\$ 53,690,167</u>	<u>\$ 0</u>	<u>\$ 92,615,979</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents-unrestricted	\$ 808,652	\$ 592,798	\$ 0	\$ 1,401,450
Cash and cash equivalents-restricted	1,886,715	2,793,361		4,680,076
Investments-unrestricted	13,879	2,172,878		2,186,757
Investments-restricted	1,648,827	157,384		1,806,211
Accounts receivable - trade	767,958	1,316,520		2,084,478
Grants receivable	0	0		0
Current portion of special assessments	906,873	439,956		1,346,829
Inventory	293,945	95,711		389,656
Prepaid expenses	25,507	38,827		64,334
Total current assets	<u>6,352,356</u>	<u>7,607,435</u>	<u>0</u>	<u>13,959,791</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Sewer and water lines	54,388,869	76,611,073	0	130,999,942
Buildings, pumps and lift stations	3,863,822	8,292,075		12,155,897
Machinery and equipment	1,288,780	1,709,251		2,998,031
Vehicles	437,643	1,006,913		1,444,556
Furniture and fixtures	84,588	140,019		224,607
Computer equipment	216,922	362,365		579,287
Improvements-Oregon waste water treatment plant	2,380,467	3,080,736		5,461,203
Total depreciable capital assets	<u>62,661,091</u>	<u>91,202,432</u>	<u>0</u>	<u>153,863,523</u>
Accumulated depreciation and amortization	(21,010,494)	(39,521,100)		(60,531,594)
Net depreciable capital assets	<u>41,650,597</u>	<u>51,681,332</u>	<u>0</u>	<u>93,331,929</u>
Land	42,083	369,274		411,357
Construction in process	813,823	3,619,298		4,433,121
Net capital assets	<u>42,506,503</u>	<u>55,669,904</u>	<u>0</u>	<u>98,176,407</u>
<b>Other assets</b>				
Special assessments, less current portion	5,730,827	4,139,932		9,870,759
Reserve with county commissioners	36,657	221,694		258,351
Deferred loan costs, net of accumulated amortization of \$32,485	47,064	0		47,064
Miscellaneous	259,302	281,381		540,683
Total other assets	<u>6,073,850</u>	<u>4,643,007</u>	<u>0</u>	<u>10,716,857</u>
Total noncurrent assets	<u>48,580,353</u>	<u>60,312,911</u>	<u>0</u>	<u>108,893,264</u>
Total Assets	<u>\$ 54,932,709</u>	<u>\$ 67,920,346</u>	<u>\$ 0</u>	<u>\$ 122,853,055</u>

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

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

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
<b>Operating revenues</b>				
Utility revenue	\$ 3,906,717	\$ 3,978,236	\$ 0	\$ 7,884,953
Fees and permits	212,287	64,205		276,492
Contract services	83,724	152,793		236,517
Other operating revenues	99,189	88,900		188,089
Total operating revenues	<u>4,301,917</u>	<u>4,284,134</u>	<u>0</u>	<u>8,586,051</u>
<b>Operating expenses</b>				
Depreciation and amortization	1,465,972	2,161,407		3,627,379
Labor	1,035,165	1,095,395		2,130,560
Employee benefits	405,673	475,983		881,656
Professional services	321,588	137,708		459,296
Purchased water and sewer treatment	1,328,232	130,561		1,458,793
Materials and supplies	466,907	370,010		836,917
Utilities	169,997	235,064		405,061
Rent	2,736	2,508		5,244
Other	177,697	238,346		416,043
Total operating expenses	<u>5,373,967</u>	<u>4,846,982</u>	<u>0</u>	<u>10,220,949</u>
Operating loss	(1,072,050)	(562,848)	0	(1,634,898)
<b>Nonoperating revenues (expenses)</b>				
Interest income	501,539	391,457		892,996
Interest expense	(755,679)	(751,737)		(1,507,416)
Other income	26,129	57,831		83,960
Net nonoperating revenues (expenses)	<u>(228,011)</u>	<u>(302,449)</u>	<u>0</u>	<u>(530,460)</u>
<b>Aid in construction</b>	<u>1,958,669</u>	<u>2,683,536</u>	<u>0</u>	<u>4,642,205</u>
<b>Change in net assets</b>	658,608	1,818,239	0	2,476,847
<b>Net assets - beginning</b>	<u>38,267,203</u>	<u>51,871,931</u>	<u>0</u>	<u>90,139,134</u>
<b>Net assets - ending</b>	<u>\$ 38,925,811</u>	<u>\$ 53,690,170</u>	<u>\$ 0</u>	<u>\$ 92,615,981</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION  
For The Year Ended December 31, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
<b>Operating revenues</b>				
Utility revenue	\$ 3,224,129	\$ 3,442,821	\$ 0	\$ 6,666,950
Fees and permits	225,786	86,735		312,521
Contract services	125,389	139,617		265,006
Other operating revenues	96,942	73,201		170,143
Total operating revenues	<u>3,672,246</u>	<u>3,742,374</u>	<u>0</u>	<u>7,414,620</u>
<b>Operating expenses</b>				
Depreciation and amortization	1,361,439	2,234,830		3,596,269
Labor	705,008	1,254,946		1,959,954
Employee benefits	277,142	463,426		740,568
Professional services	217,551	238,473		456,024
Purchased water and sewer treatment	1,020,361	130,343		1,150,704
Materials and supplies	359,029	380,166		739,195
Utilities	174,480	218,647		393,127
Rent	2,151	3,509		5,660
Other	135,518	195,759		331,279
Total operating expenses	<u>4,252,679</u>	<u>5,120,099</u>	<u>0</u>	<u>9,372,780</u>
Operating loss	(580,433)	(1,377,725)	0	(1,958,160)
<b>Nonoperating revenues (expenses)</b>				
Interest income	619,165	545,395		1,164,560
Interest expense	(791,589)	(535,641)		(1,327,230)
Other income	15,075	15,809		30,884
Net nonoperating expenses	<u>(157,349)</u>	<u>25,563</u>	<u>0</u>	<u>(131,786)</u>
<b>Aid in construction</b>	<u>1,777,303</u>	<u>808,919</u>	<u>0</u>	<u>2,586,222</u>
<b>Change in net assets</b>	1,039,521	(543,243)	0	496,276
<b>Net assets - beginning</b>	<u>37,227,682</u>	<u>52,415,174</u>	<u>0</u>	<u>89,642,856</u>
<b>Net assets - ending</b>	<u>\$ 38,267,203</u>	<u>\$ 51,871,931</u>	<u>\$ 0</u>	<u>\$ 90,139,132</u>



**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION**  
**For The Year Ended December 31, 2008**

	Water	Sewer	Eliminating Adjustments	Combined
<b>Cash flows from operations</b>				
Cash received from customers	\$ 4,039,103	\$ 4,277,817	\$ 0	\$ 8,316,920
Cash payments to suppliers for goods and services	(2,666,797)	(1,488,202)		(4,154,999)
Cash payments to employees for services	(1,334,296)	(1,549,045)		(2,883,341)
Net cash provided by operations	38,010	1,240,570	0	1,278,580
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	206,201	708,072		914,273
Acquisition and construction of capital assets	(3,449,352)	(7,425,131)		(10,874,483)
Proceeds from sale of capital assets	1,605	1,962		3,567
Proceeds from issuance of long-term debt	4,212,037	7,458,036		11,670,073
Repayment of long-term debt	(3,092,991)	(1,471,281)		(4,564,272)
Collections on special assessments	483,421	320,844		804,265
Interest paid	(767,811)	(745,769)		(1,513,580)
Net cash used in capital and related financing activities	(2,406,890)	(1,153,267)	0	(3,560,157)
<b>Cash flows from investing activities</b>				
Interest received	501,539	391,457		892,996
Proceeds on sale of investments	2,362,713	3,338,781		5,701,494
Purchases of investments	(496,737)	(4,742,760)		(5,239,497)
Net cash provided by investing activities	2,367,515	(1,012,522)	0	1,354,993
Increase in cash and cash equivalents	(1,365)	(925,219)	0	(926,584)
Cash and cash equivalents - beginning of the year	2,695,367	3,386,159	0	6,081,526
Cash and cash equivalents - end of year	<u>\$ 2,694,002</u>	<u>\$ 2,460,940</u>	<u>\$ 0</u>	<u>\$ 5,154,942</u>
Restricted cash and cash equivalents	<u>\$ 2,292,666</u>	<u>\$ 1,394,113</u>	<u>\$ 0</u>	<u>\$ 3,686,779</u>
Unrestricted cash and cash equivalents	<u>\$ 401,336</u>	<u>\$ 1,066,827</u>	<u>\$ 0</u>	<u>\$ 1,468,163</u>

**NORTHWESTERN WATER & SEWER DISTRICT**  
**SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED**  
**For The Year Ended December 31, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Operating loss	\$ (1,072,050)	\$ (562,848)	\$ 0	\$ (1,634,898)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,465,972	2,161,407		3,627,379
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	(262,814)	(6,317)		(269,131)
Inventory	(33,213)	(14,441)		(47,654)
Other assets	(83,878)	(99,133)		(183,011)
Accounts payable-trade	(97,445)	(348,003)		(445,448)
Accrued payroll and related taxes	106,542	22,333		128,875
Amounts due to others	14,896	87,572		102,468
Total adjustments	<u>1,110,060</u>	<u>1,803,418</u>	<u>0</u>	<u>2,913,478</u>
Net cash provided by operations	<u>\$ 38,010</u>	<u>\$ 1,240,570</u>	<u>\$ 0</u>	<u>\$ 1,278,580</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Cash received from customers	\$ 3,812,673	\$ 3,436,469	\$ 0	\$ 7,249,142
Cash payments to suppliers for goods and services	(1,890,269)	(482,689)		(2,372,958)
Cash payments to employees for services	(976,721)	(1,688,754)		(2,665,475)
Net cash provided by operations	<u>945,683</u>	<u>1,265,026</u>	<u>0</u>	<u>2,210,709</u>
<b>Cash flows from capital and related financing activities</b>				
Aid in construction	853,338	795,270		1,648,608
Acquisition and construction of capital assets	(2,855,245)	(3,547,375)		(6,402,620)
Proceeds from issuance of long-term debt	15,075	24,446		39,521
Repayment of short-term notes	2,285,717	819,710		3,105,427
Repayment of long-term debt	(899,108)	(523,756)		(1,422,864)
Collections on special assessments	435,117	285,820		720,937
Interest paid	(782,926)	(541,945)		(1,324,871)
Net cash used in capital and related financing activities	<u>(948,032)</u>	<u>(2,687,830)</u>	<u>0</u>	<u>(3,635,862)</u>
<b>Cash flows from investing activities</b>				
Interest received	619,165	545,395		1,164,560
Proceeds on sale of investments	995,177	3,853,126		4,848,303
Purchases of investments	(18,859)	(985,131)		(1,003,990)
Net cash provided by investing activities	<u>1,595,483</u>	<u>3,413,390</u>	<u>0</u>	<u>5,008,873</u>
Increase (decrease) in cash and cash equivalents	1,593,134	1,990,586	0	3,583,720
Cash and cash equivalents - beginning of the year	<u>1,102,233</u>	<u>1,395,573</u>	<u>0</u>	<u>2,497,806</u>
Cash and cash equivalents - end of year	<u>\$ 2,695,367</u>	<u>\$ 3,386,159</u>	<u>\$ 0</u>	<u>\$ 6,081,526</u>
Restricted cash and cash equivalents	<u>\$ 1,886,715</u>	<u>\$ 2,793,361</u>	<u>\$ 0</u>	<u>\$ 4,680,076</u>
Unrestricted cash and cash equivalents	<u>\$ 808,652</u>	<u>\$ 592,798</u>	<u>\$ 0</u>	<u>\$ 1,401,450</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
<b>Cash flows from operations</b>				
Operating loss	\$ (580,435)	\$ (1,377,725)	\$ 0	\$ (1,958,160)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,361,439	2,234,830		3,596,269
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	140,427	(305,905)		(165,478)
Inventory	(89,309)	(14,505)		(103,814)
Other assets	(35,940)	(49,721)		(85,661)
Accounts payable-trade	129,806	582,061		711,867
Accrued payroll and related taxes	5,429	29,618		35,047
Amounts due to others	14,266	166,373		180,639
Total adjustments	<u>1,526,118</u>	<u>2,642,751</u>	<u>0</u>	<u>4,168,869</u>
Net cash provided by operations	<u>\$ 945,683</u>	<u>\$ 1,265,026</u>	<u>\$ 0</u>	<u>\$ 2,210,709</u>



## NORTHWESTERN WATER AND SEWER DISTRICT STATISTICAL SCHEDULES

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

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



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

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

Data for years 2001 – 1999 not available



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

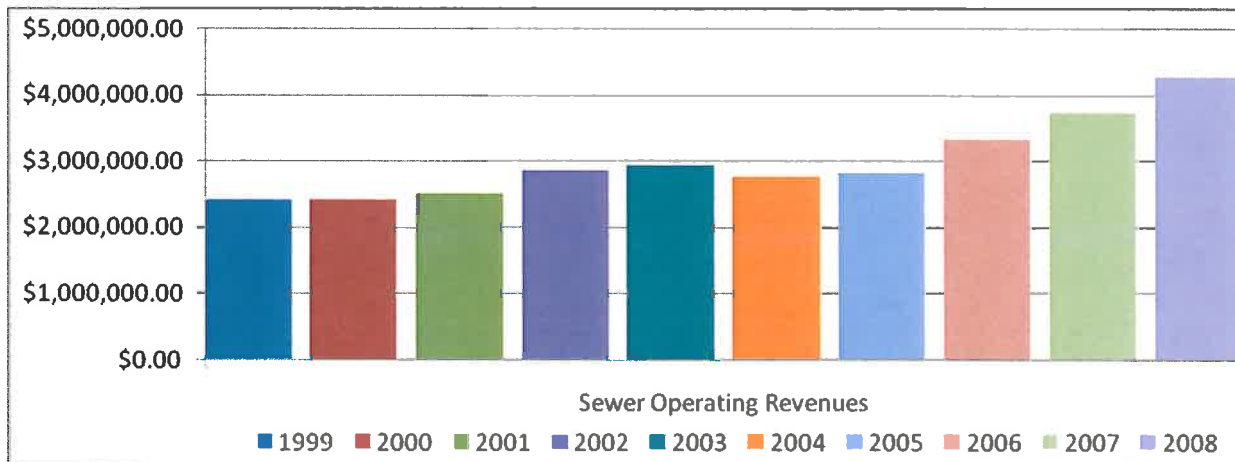
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Revenue	\$8,586	\$7,415	\$6,524	\$5,811	\$5,395	\$5,221	\$4,953
Operating Expenses	<u>10,221</u>	<u>9,373</u>	<u>8,759</u>	<u>7,347</u>	<u>6,948</u>	<u>6,136</u>	<u>5,682</u>
Total Net Expense	\$(1,635)	\$(1,958)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

Data for years 2001 – 1999 not available



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

<u>Fiscal Year</u>	<u>Wastewater Revenue</u>	<u>Fees &amp; Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2008	\$ 3,978,236	\$ 64,205	\$ 152,793	\$ 88,900	\$ 4,284,134	14.5%
2007	3,442,820	86,735	139,618	73,201	3,742,374	12.6%
2006	3,067,499	85,020	113,384	56,969	3,322,872	17.8%
2005	2,555,120	106,071	94,481	64,749	2,820,421	2.1%
2004	2,506,712	102,313	89,853	62,653	2,761,531	-5.8%
2003	2,626,460	132,897	123,597	47,859	2,930,913	2.3%
2002	2,650,090	91,740	78,463	43,366	2,863,659	14.5%
2001	2,343,220	60,363	87,641	9,869	2,500,093	3.4%
2000	2,227,816	80,942	90,312	18,430	2,417,500	-0.1%
1999	2,285,951	73,059	54,814	7,282	2,421,106	9.0%



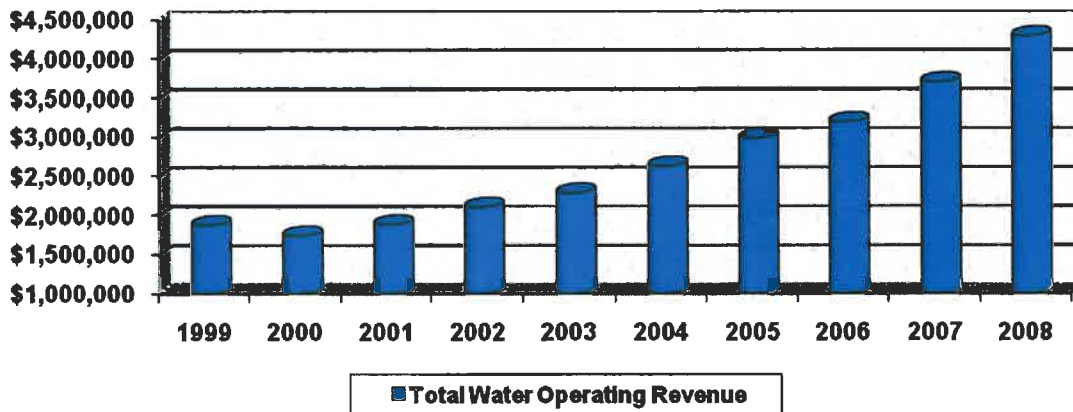
Source: District accounting records





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

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Fees &amp; Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
2008	\$3,906,717	\$212,287	\$ 83,724	\$ 99,189	\$ 4,301,917	17.1%
2007	3,224,129	225,786	125,388	96,942	3,672,246	14.7%
2006	2,865,069	200,717	71,491	64,212	3,201,489	7.0%
2005	2,551,188	293,917	89,253	56,684	2,991,042	13.6%
2004	2,148,309	367,519	81,860	35,527	2,633,215	15.0%
2003	1,977,300	244,012	39,166	29,090	2,289,568	8.6%
2002	1,848,210	193,367	21,059	45,409	2,108,045	11.7%
2001	1,686,081	113,600	24,104	62,971	1,886,756	8.4%
2000	1,569,513	119,993	28,231	23,358	1,741,035	-7.2%
1999	1,656,098	149,003	1,750	69,810	1,876,661	-0.5%

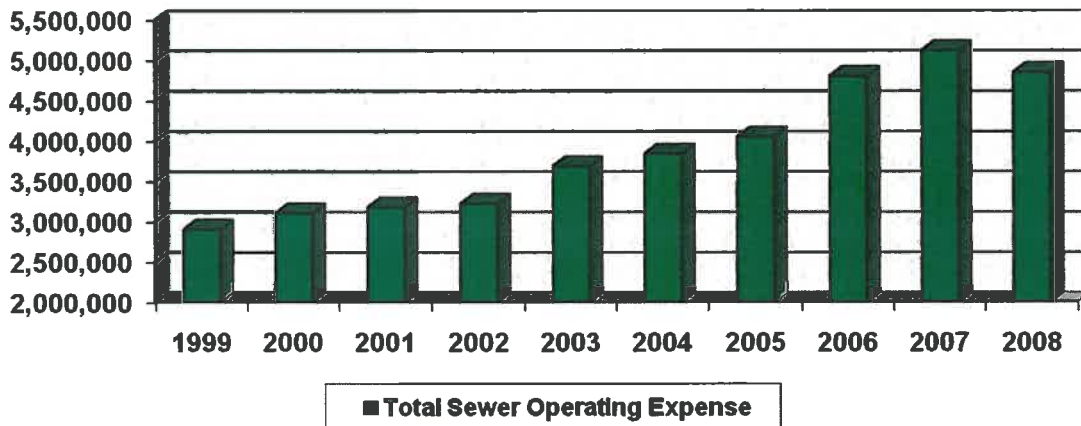


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries &amp; Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Materials &amp; Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2008	\$1,095,395	\$475,983	\$268,269	\$370,010	\$235,064	\$2,161,407	\$240,854	\$4,846,982	5.24%
2007	1,254,946	463,426	368,816	380,166	218,647	2,234,830	199,268	5,120,099	6.4%
2006	1,140,171	414,550	310,753	390,354	224,856	2,139,374	190,331	4,810,389	18.6%
2005	866,327	321,284	234,151	260,761	161,296	2,045,075	166,869	4,055,763	5.5%
2004	840,330	293,969	257,240	197,328	155,420	1,931,228	169,796	3,845,311	4.3%
2003	823,718	291,562	224,522	247,774	162,098	1,765,517	170,231	3,688,422	14.3%
2002	638,814	271,917	335,408	231,182	142,800	1,501,058	104,867	3,225,746	1.4%
2001	632,814	243,299	312,339	238,137	141,835	1,437,583	174,405	3,180,412	2.5%
2000	621,345	217,108	405,642	225,191	134,868	1,393,015	106,780	3,103,949	6.8%
1999	567,567	213,404	278,638	229,131	116,658	1,443,385	57,544	2,906,327	.9%

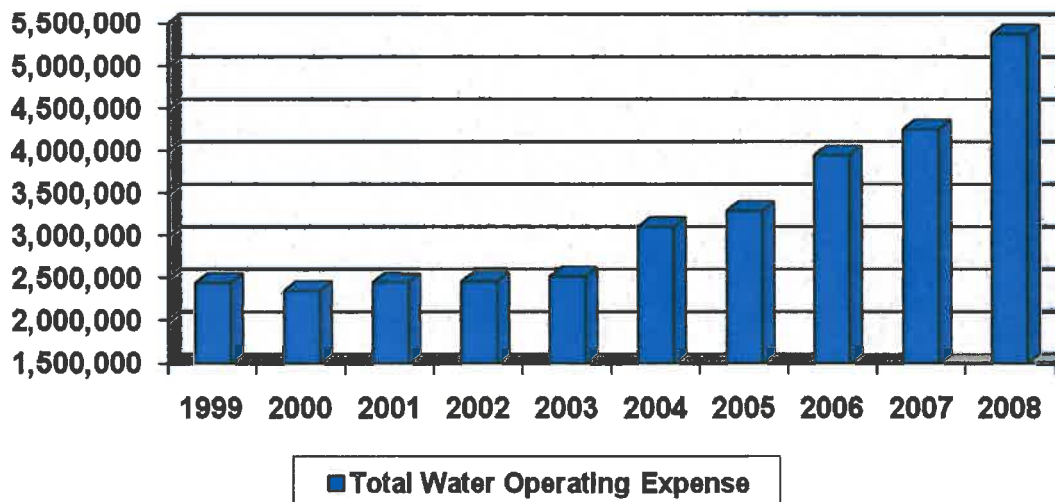


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries &amp; Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Purchased Water</u>	<u>Materials &amp; Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2008	\$1,035,165	\$405,673	\$321,588	\$1,328,232	\$466,907	\$169,997	\$1,465,972	\$180,433	\$5,373,967	26.4%
2007	705,008	277,142	217,551	1,020,361	359,029	174,480	1,361,439	137,671	4,252,681	7.7%
2006	663,157	250,007	124,792	917,580	454,068	127,718	1,262,110	149,692	3,949,124	20.0%
2005	534,005	205,864	117,852	724,558	309,541	122,596	1,132,963	143,534	3,290,913	6.0%
2004	478,590	186,742	139,556	624,052	396,242	112,360	1,051,791	113,853	3,103,186	23.2%
2003	479,754	183,524	120,011	558,713	158,696	112,248	836,178	69,899	2,519,023	2.4%
2002	392,709	169,913	150,837	528,894	198,582	111,029	842,693	65,432	2,460,089	0.3%
2001	397,605	149,828	107,408	599,660	226,296	119,404	793,319	58,618	2,452,138	4.3%
2000	383,769	133,250	193,302	495,316	244,258	85,449	764,849	51,140	2,351,333	-3.8%
1999	331,414	134,123	242,332	466,755	320,647	139,548	769,470	39,121	2,443,410	8.4%



Source: District accounting records



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

---

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2008	\$391,457	\$2,683,536	\$ 57,831	\$ 3,132,824
2007	545,395	808,919	15,809	1,370,123
2006	507,988	2,808,702	79,985	3,396,675
2005	429,415	2,517,442	0	2,946,857
2004	329,603	2,438,868	275,017 (2)	3,043,488
2003	334,772	4,501,078	0	4,835,850
2002	272,677	3,826,779	0	4,099,456
2001	305,337	0	0	305,337
2000	362,960	0	0	362,960
1999	228,376	0	0	228,376

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

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

Source: District accounting records



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

---

<u>Fiscal Year</u>	<u>Interest Income</u>	<u>Aid-In-Construction (1)</u>	<u>Other Income</u>	<u>Total</u>
2008	\$ 501,539	\$ 1,958,669	\$ 26,129	\$ 2,486,337
2007	619,165	1,777,303	15,075	2,411,543
2006	525,414	2,378,917	17,571	2,921,902
2005	462,213	2,612,560	5,451	3,080,224
2004	408,849	3,609,049	3,560	4,021,458
2003	304,945	3,040,090	0	3,345,035
2002	356,621	1,883,509	0	2,240,130
2001	363,547	0	0	363,547
2000	396,695	0	0	396,695
1999	353,921	0	0	353,921

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

Source: District accounting records



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

---

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Collection Only</u>	<u>Collection &amp; Treatment</u>
2008	\$12.06	\$24.12	\$11.62	\$33.68
2007	10.06	20.12	11.62	29.03
2006	9.40	18.80	10.86	27.13
2005	8.95	17.90	10.34	25.84
2004	8.52	17.05	9.85	24.61
2003	8.52	17.05	9.85	22.37
2002	8.11	16.24	9.38	21.30
2001	7.73	15.47	8.94	20.29
2000	7.36	14.73	8.51	19.32
1999	7.36	14.73	8.51	19.32

(1) Per 1,000 cubic feet of water consumption or measured sewer consumption

Source: District accounting records



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

---

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1) Distribution</u>
	<u>Monthly</u>	<u>Quarterly</u>	
2008	\$9.93	\$19.86	\$5.69
2007	6.93	13.86	4.80
2006	6.48	12.96	4.49
2005	6.23	12.46	4.32
2004	5.99	11.98	4.15
2003	5.76	11.52	3.99
2002	5.14	10.28	3.56
2001	4.59	9.18	3.18
2000	4.10	8.20	2.84
1999	4.10	8.20	2.84

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

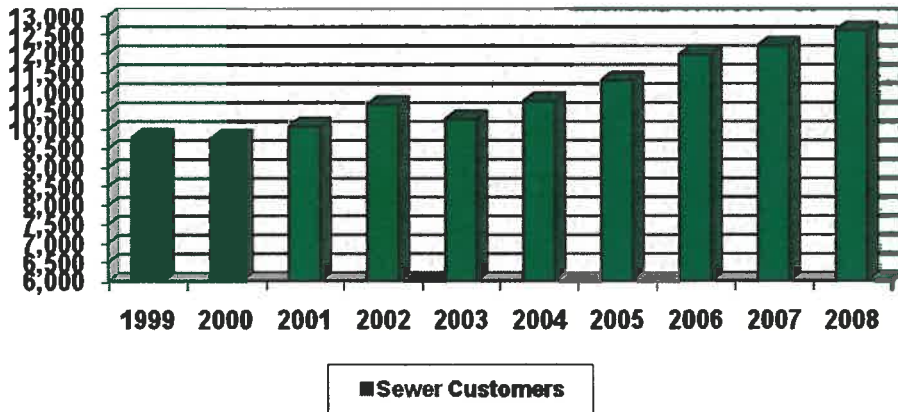
Source: District accounting records



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

---

<u>Year</u>	<u>Average Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
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	1,462,233 a)
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500
2006	11,999	3,784	1,381,254 b)
2007	12,224	3,632	1,325,558
2008	12,626	3,701	1,350,813



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

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

Source: District accounting records

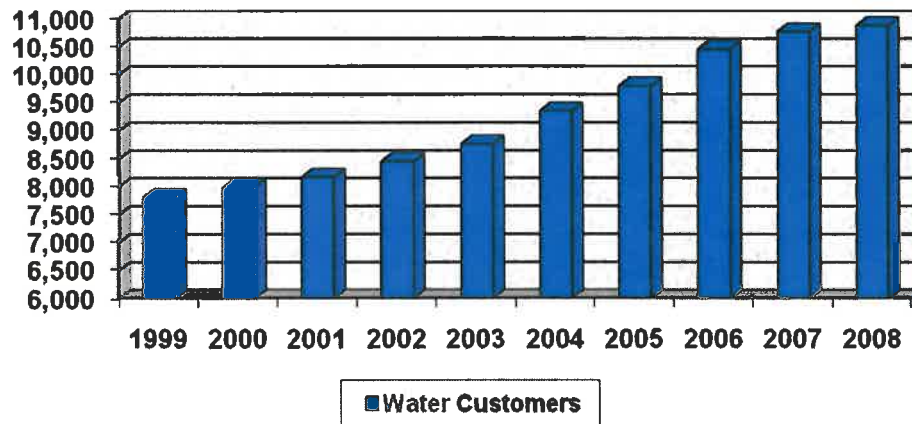




**NORTHWESTERN WATER AND SEWER DISTRICT  
HISTORICAL WATER CUSTOMERS & WATER CONSUMPTION  
LAST TEN YEARS**

---

<u>Year</u>	<u>Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
1999	7,806	4,461	1,628,170
2000	7,978	4,206	1,535,324
2001	8,170	4,116	1,502,246
2002	8,449	3,979	1,452,430
2003	8,756	4,059	1,481,478
2004	9,353	3,966	1,447,600
2005	9,799	3,935	1,436,400
2006	10,455	3,891	1,420,874 a)
2007	10,775	4,133	1,508,418
2008	10,886	3,949	1,441,658



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

Source: District accounting records



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

<b>Fiscal year 2008</b>			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Charter Steel	78,393	\$121,926	3.53%
2. Pre Finished Metals	45,737	71,198	2.06
3. First Solar	43,664	68,121	1.97
4. Chrysler	43,233	67,308	1.95
5. Friendly Village I and II MHP	30,019	47,071	1.36
6. Cintas	15,697	24,531	.71
7. Eastpointe On The Mall Apts	13,157	22,836	.66
8. Walnut Hills Mobile Home Park	13,496	21,099	.61
9. Holiday Inn Perrysburg Twp	12,971	20,343	.59
10. Perry Lake Village	14,627	16,945	.49
Total	310,994	\$481,378	13.93%

<b>Fiscal year 1999</b>			
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. Chrysler	107,781	\$122,712	5.37%
2. Pre Finished Metals	83,963	96,158	4.21
3. Alpha Tube	60,775	69,232	3.03
4. Friendly Village I and II MHP	41,574	47,484	2.08
5. Walnut Hills Mobile Home Park	30,272	34,524	1.51
6. Perry Lake Village	18,705	22,039	.96
7. Norplas	18,476	21,108	.92
8. Holiday Inn Perrysburg Twp	16,119	18,505	.81
9. Troy Villa Mobile Home Park	15,745	18,003	.79
10. Eastpointe On the Mall Apts	11,634	13,501	.59
Total	405,044	\$463,266	20.27%

Source: District accounting records



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

---

<u>Customer</u>	<b>Fiscal year 2008</b>		<b>% of Total System Revenue</b>
	<b>Total Billed Consumption (000's/gal.)</b>	<b>Total Billed</b>	
1. Chrysler	71,709	\$ 64,557	1.83%
2. Charter Steel	67,942	61,762	1.75
3. Prefinished Metals	47,639	38,627	1.09
4. First Solar	44,613	36,566	1.04
5. Friendly Village I and II MHP	30,019	30,307	.86
6. Cintas	15,281	13,200	.37
7. Perry Lake Ville	14,627	9,274	.26
8. Hunt Wesson	13,997	11,584	.33
9. Walnut Hills Mobile Home Park	13,856	11,790	.33
10. Eastpointe On The Mall	<u>13,157</u>	<u>41,416 (1)</u>	<u>1.17</u>
	<b>TOTAL</b>	<b>332,840</b>	<b>9.03%</b>
(1)	Includes master meter water charge		

---

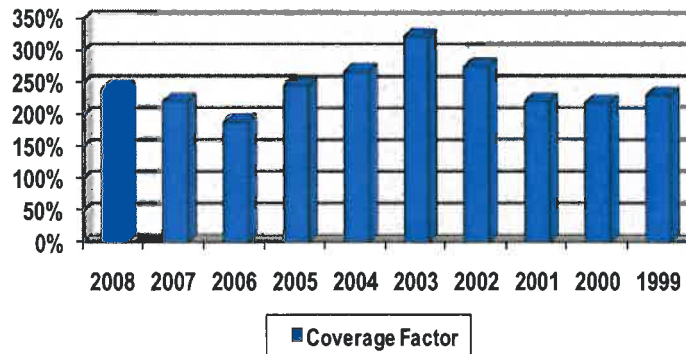
<u>Customer</u>	<b>Fiscal year 1999</b>		<b>% of Total System Revenue</b>
	<b>Total Billed Consumption (000's/gal.)</b>	<b>Total Billed</b>	
1. Hunt Wesson	396,617	\$142,422	8.6%
2. Chrysler	118,199	48,275	2.91
3. Prefinished Metals	101,878	39,721	2.40
4. Alpha Tube	60,775	23,763	1.43
5. Friendly Village I and II MHP	41,574	17,947	1.08
6. Commercial Aluminum Cookware	34,273	13,853	.84
7. Walnut Hills Mobile Home Park	29,950	16,573	1.00
8. Troy Villa Mobile Home Park	19,755	8,249	.50
9. Perry Lake Village	18,705	8,133	.49
10. Holiday Inn Perrysburg Twp	<u>16,119</u>	<u>6,933</u>	<u>.42</u>
	<b>TOTAL</b>	<b>837,845</b>	<b>19.67%</b>

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
COMPUTATION OF REVENUE DEBT COVERAGE RATIOS  
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Operating Expense (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor (3)</u>
2008	\$ 10,225,557	\$ 6,593,570	\$ 3,631,987	\$ 1,471,370	247%
2007	9,399,095	5,820,968	3,578,127	1,610,213	222%
2006	8,579,544	5,358,029	3,221,515	1,693,456	190%
2005	7,954,716	4,219,005	3,735,711	1,513,114	247%
2004	7,581,405	3,965,478	3,615,927	1,345,569	269%
2003	7,031,171	3,525,989	3,505,182	1,082,625	324%
2002	6,831,468	3,338,421	3,493,047	1,144,255	277%
2001	5,854,707	3,319,320	2,535,387	861,884	222%
2000	5,446,503	3,297,418	2,149,085	981,292	219%
1999	5,530,052	3,136,876	2,393,176	1,035,081	231%



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

Source: District accounting records



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

---

<b><u>Fiscal Year</u></b>	<b><u>Special Assessments Collections</u></b>	<b><u>Debt Service Requirement</u></b>	<b><u>Coverage Factor</u></b>
2008	\$1,370,124	\$1,351,612	101%
2007	1,353,831	1,294,512	105
2006	1,512,255	1,173,318	129
2005	1,433,680	1,164,343	123
2004	1,036,820	880,803	118
2003	956,567	871,841	110
2002	758,409	605,184	125
2001	729,115	654,335	111
2000	621,726	488,605	127
1999	575,823	377,086	153

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
SEWER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2008**

Year	Revenue Debt			Special Assessment Debt			% of Debt Service	
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes	Totals	Remaining
2009	\$380,162	\$38,722	\$686,940	\$74,626	\$25,285	\$384,914	\$1,590,649	93.89%
2010	380,162	38,722	689,460	74,626	25,285	385,902	1,591,157	87.77%
2011	380,162	38,722	687,134	74,626	25,285	383,528	1,591,468	81.67%
2012	380,162	38,722	693,071	74,626	25,285	372,280	1,586,158	75.58%
2013	380,162	38,722	693,869	74,626	25,285	379,320	1,591,984	69.47%
2014	380,162	21,474	688,726	74,626	25,285	375,733	1,568,020	63.45%
2015	301,064	21,474	692,261	74,626	25,285	371,032	1,487,757	57.75%
2016	301,064	21,474	690,473	74,626	25,285	369,888	1,484,826	52.06%
2017	301,064	12,808	691,982	74,626	25,285	370,803	1,478,585	46.39%
2018	301,064	4,142	692,691	74,626	25,285	573,360	1,673,186	39.97%
2019	301,064	4,142	692,750	74,626	0	348,487	1,423,088	34.51%
2020	301,064	4,142	691,293	74,626	0	316,770	1,389,915	29.18%
2021	69,878	4,142	688,692	37,313	0	306,741	1,108,787	24.93%
2022	69,878	4,142	694,927	0	0	304,782	1,075,751	20.81%
2023	69,878	4,142	690,170	0	0	158,935	925,148	17.27%
2024-28	61,764	4,142	2,875,021	0	0	175,380	3,116,307	5.30%
2029-33	0	0	863,619	0	0	0	863,619	1.98%
2034-38	0	0	259,171	0	0	0	259,171	.99%
2039-43	0	0	214,561	0	0	0	214,561	.16%
2044	0	0	42,903	0	0	0	42,903	0.00%
<b>Totals</b>	<b>\$4,358,754</b>	<b>\$299,834</b>	<b>\$14,619,714</b>	<b>\$932,825</b>	<b>\$252,850</b>	<b>\$5,577,855</b>	<b>\$26,055,718</b>	

OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT  
WATER DEBT BY TOTAL DEBT SERVICE  
AS OF DECEMBER 31, 2008**

Year	Revenue Debt			Special Assessment Debt		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2009	\$142,248	\$9,706	\$704,425	\$558,145	\$403,147	\$1,819,680.00	92.38%
2010	142,248	9,706	701,864	558,145	438,111	1,852,084	84.62%
2011	142,248	9,706	687,830	558,145	401,430	1,801,370	77.08%
2012	142,248	9,706	644,802	558,145	396,411	1,753,324	69.74%
2013	142,248	9,706	631,169	558,145	397,079	1,740,360	62.45%
2014	142,248	9,706	621,449	558,145	393,183	1,726,745	55.22%
2015	142,248	9,706	611,885	558,145	398,396	1,722,395	48.00%
2016	142,248	9,706	607,205	311,498	439,768	1,512,441	41.67%
2017	142,248	9,706	586,049	64,851	421,590	1,226,461	35.54%
2018	142,248	9,706	585,012	64,851	424,046	1,227,881	31.40%
2019	118,083	9,706	573,250	64,851	351,277	1,119,186	26.72%
2020	93,919	9,706	564,985	64,851	317,784	1,053,265	22.31%
2021	32,616	9,706	421,837	32,426	313,993	812,599	18.91%
2022	32,616	9,706	430,991	0	311,899	787,234	15.62%
2023	32,616	9,706	428,292	0	305,239	777,876	12.36%
2024-28	68,469	14,559	1,615,649	0	898,454	2,597,131	1.48%
2029-33	0	0	352,153	0	0	352,153	0.00%
<b>Totals</b>	<b>\$1,800,799.00</b>	<b>\$160,149</b>	<b>\$10,768,847</b>	<b>\$4,510,343</b>	<b>\$6,611,807</b>	<b>\$23,882,185</b>	

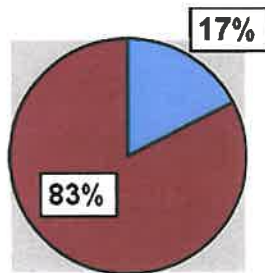
OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records

**NONAGRICULTURAL EMPLOYMENT**  
 Toledo Primary Metropolitan Statistical Area  
 (includes Wood County)  
 At December 31, 2008

	<u>Employment</u>
Goods-Producing Industries	54,400
Natural Resources, Mining and Construction	11,900
Manufacturing	42,500
Durable Goods	30,200
Transportation Equipment	9,700
Service-Providing Industries	258,400
Trade, Transportation and Utilities	64,500
Information	3,600
Financial Activities	11,800
Professional and Business Services	28,500
Educational and Health Services	52,600
Leisure and Hospitality	31,700
Other Services	14,300
Government	51,400




---

**Goods Producing**   ■   **Service Providing**

Source: Ohio Bureau of Employment Services, Labor Market Review



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

<u>Employer</u>	2008			1999		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage Of Total Employment</u>
Bowling Green State University	5,361	1	8.36	6,085	1	9.40%
Owens Community College	1,665	2	2.59	1,560	4	2.41%
Wood County	1,221	3	1.90	1,162	5	1.80%
Diamler Chrysler	925	4	1.44	2,100	2	3.25%
GEM Rudolph-Libbe Companies	750	5	1.17			
First Solar	768	6	1.21			
Walgreens	760	7	1.18			
Cooper Standard Automotive	716	8	1.12	1,393	3	2.15%
Wood County Hospital	705	9	1.10			
Norplas (Magna)	613	10	.95			
NFO Market Research				800	6	1.24%
Great Lakes Window				550	7	.85%
Wood County Hospital				525	8	.81%
Modine Manufacturing				435	9	.79%
Libbey-Owens-Ford				387	10	.60%
Totals	13,484		21.61%	14,997		22.59%
Total Employment Within Wood County	62,400			66,400		

Source: Wood County Economic Development Commission

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

<u>Year</u>	<u>Population (Estimated)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2008	125,340	\$3,985,816,000	\$31,800	8.40%
2007	125,399	\$3,971,135,532	\$31,668	5.40%
2006	124,183	3,971,123,974	31,978	5.20%
2005	123,889	3,762,261,152	30,368	5.60%
2004	123,377	3,636,413,698	29,474	5.70%
2003	122,340	3,547,737,660	28,999	5.40%
2002	121,940	3,376,152,780	27,687	4.80%
2001	121,935	3,314,315,235	27,181	3.50%
2000	121,065	3,310,643,490	27,346	3.20%
1999	120,292	3,183,648,072	26,466	3.50%

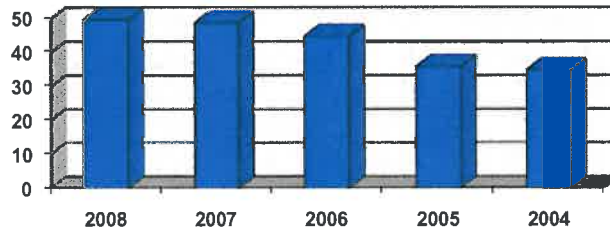
Source: U.S. Census Bureau  
 Ohio Department of Job and Family Services  
 Bureau of Economic Analysis



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

---

<u>DEPARTMENT</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	2	2	2	2	2
Finance	3	3	2	2	2
Customer Service	6	6	6	5	5
Engineering	9	9	9	7	6
Operations	30	29	26	20	20
Total	50	49	45	36	35



Years 1999 through 2003 data not available

Source: Northwestern Water and Sewer District



**NORTHWESTERN WATER AND SEWER DISTRICT  
DEMOGRAPHICS STATISTICS  
DECEMBER 31, 2008**

---

**WATER SYSTEM**

Miles of Potable Water Main	319
Total Water Connections	10,886
Number of Fire Hydrants	2,854
Water Towers	3
Number of WaterShed/Bulk Water Stations	9

**SEWER SYSTEM**

Miles of Sewer Lines	243
Total Sewer Connections	12,626
Number of Pump Stations	46
Number of Treatment Plants	4
Number of Manholes	3,908

**GENERAL INFORMATION**

Population Served (Estimated)	35,000
Number of Employees	50

Source: Northwestern Water and Sewer District



GILMORE, JASION & MAHLER, LTD

**INDEPENDENT AUDITOR'S 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  
P.O. Box 348  
12560 Middleton Pike  
Bowling Green, Ohio 43402

We have audited the financial statements of Northwestern Water & Sewer District as of and for the year ended December 31, 2008, and have issued our report thereon dated June 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

### **Compliance and Other Matters**

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

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

*Gilmore, Jason & Mahler, LTD*

June 4, 2009



GILMORE, JASION & MAHLER, LTD

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**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 (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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 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.

In our opinion, the District 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, 2008.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

This report is intended solely for the information and use of the management, others within the organization, 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 & Mahler, LTD*

June 4, 2009



**NORTHWESTERN WATER & SEWER DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2008**

<b>Federal Grantor / Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>United States Department of Agriculture</b>		
Water and Waste Program	10.760	\$ <u>3,098,596</u>
		<u>\$ 3,098,596</u>

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2008**

**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	Water & Waste Program
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

No matters were reported

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

There were no reportable findings for the year ended December 31, 2008.

**NORTHWESTERN WATER & SEWER DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR AUDIT FINDINGS  
For the year ended December 31, 2008**

There were no reportable findings for the year ended December 31, 2007.





**Mary Taylor, CPA**  
Auditor of State

**NORTHWESTERN WATER AND SEWER DISTRICT**  
**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JULY 23, 2009**