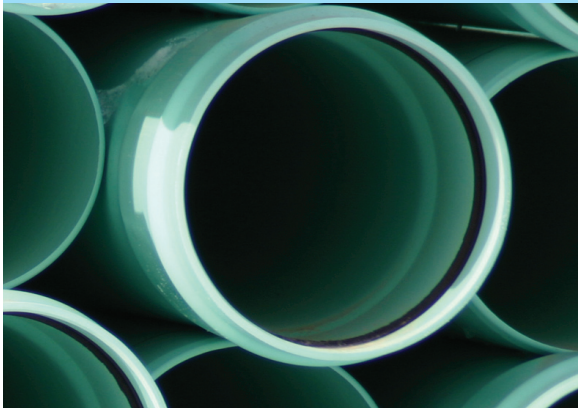


2005

Comprehensive Annual Financial Report
For the year ended December 31, 2005

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





**Auditor of State
Betty Montgomery**

Board of Trustees
Northwestern Water and Sewer District
P.O. Box 348
12560 Middleton Pike
Bowling Green, Ohio 43402-0348

We have reviewed the *Independent Auditor's Report* of the Northwestern Water and Sewer District, Wood County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

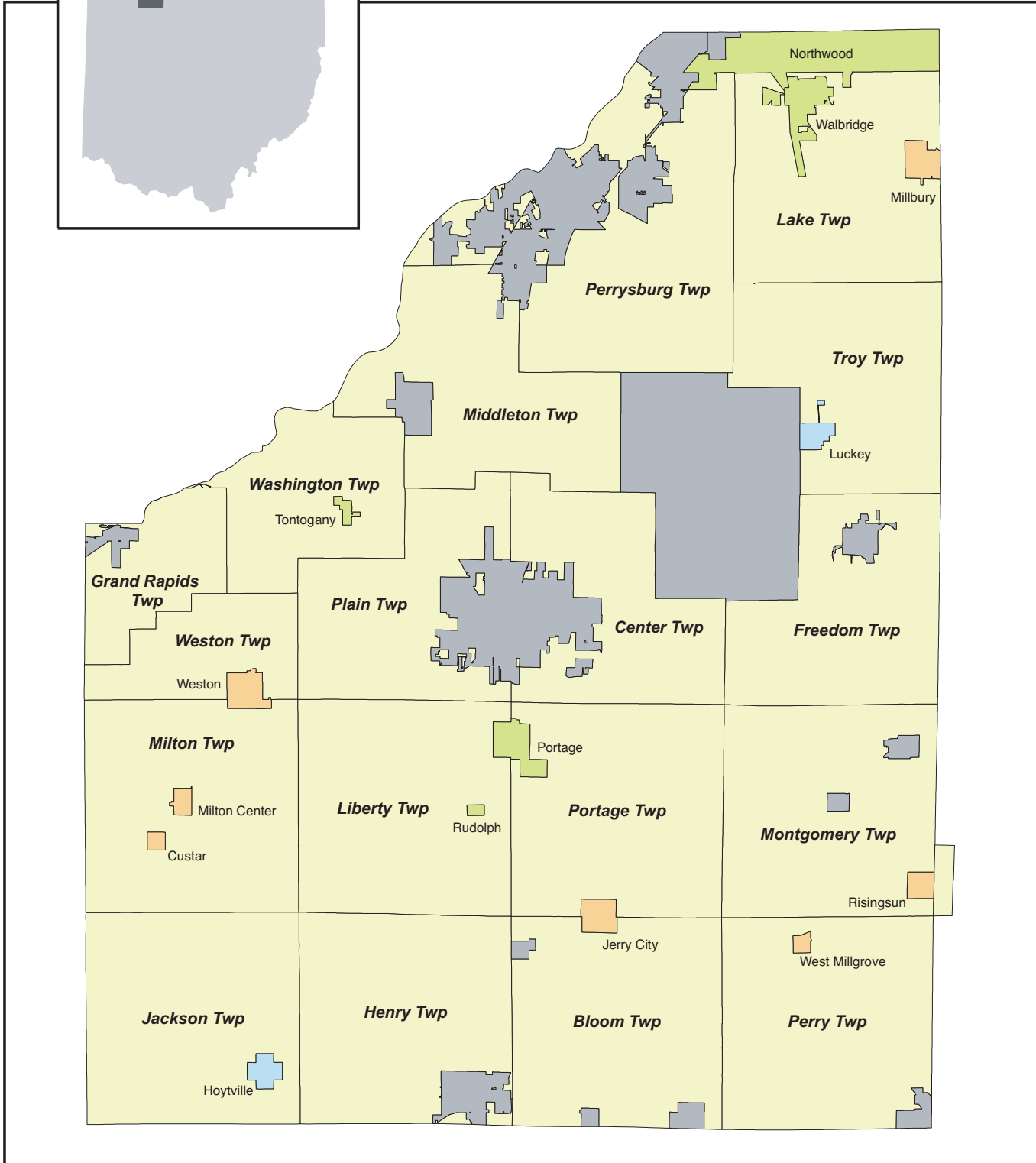
BETTY MONTGOMERY
Auditor of State

June 9, 2006

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Northwestern Water & Sewer District Members

- Township member
- Municipal member
- Pending member
- Non-member, but District owns system
- Non-member with District contract
- Non-member/no service



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NORTHWESTERN WATER AND SEWER DISTRICT
A POLITICAL SUBDIVISION OF THE
STATE OF OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2005

SUBMITTED BY:

Finance Department



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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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**NOTHWESTERN WATER AND SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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April 5, 2006

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, 2005, is hereby submitted. This report conforms to Generally Accepted Accounting Principles (GAAP) including Governmental Accounting Standards Board Statements 34 through 40 as applicable. This report consists of management's representations concerning finances of the District. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

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

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the year ended December 31, 2004, a list of the District's principal officials and a table of organization. The financial section includes the statements and related notes, required supplementary information and related notes. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis, that is helpful in performing trend analysis.

The District is required to undergo an annual audit in conformity with 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, 2005 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.

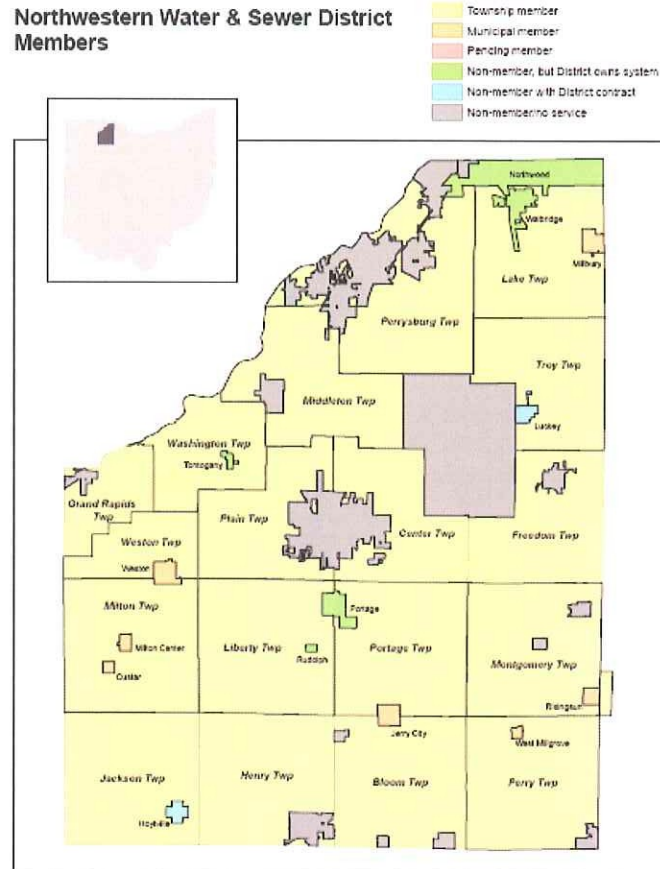
PROFILE OF THE DISTRICT

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 6 municipalities and 18 townships.

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



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

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Wood County is centrally located in the Toledo Trade Area, and is classified as belonging to the Toledo Metropolitan Statistical Area (MSA). The 2005 population of the MSA is estimated to be approximately 620,000, of which the County accounted for approximately 123,000 in 2005. 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 2004 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 2004-05 school year, the university had 18,400 students, 895 full-time and 334 part-time faculty members as well as 1,911 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2005 Owens had a student enrollment of 20,406 in over 150 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.

During 2005, 618 building permits were issued for single family residential construction in Wood County.

Accounting Systems

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

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

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

is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply.

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 statements 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 2004, and no insurance settlement has exceeded insurance coverage during the last three years. Note 9 to the audited financial statements discloses information about risk management.

Debt Administration

At year-end, the District had debt outstanding of \$27,041,044. 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

2005 Award

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

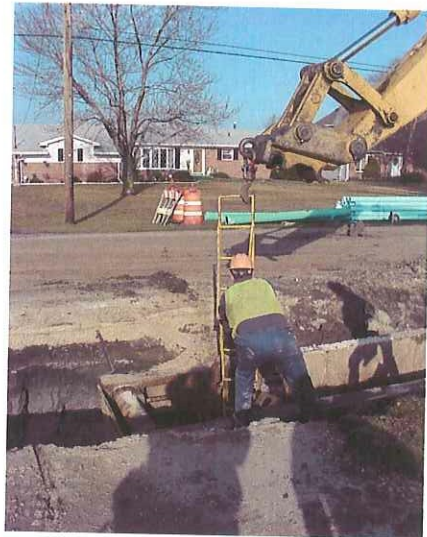
Certificate of Achievement

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, 2004. This was the second 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.

Maumee River Crossing Sewer Project

The District has one pipeline crossing under the Maumee River connecting to the Lucas County wastewater treatment plant. During 2005, the District acquired a second abandoned petroleum pipeline and converted it to a second transmission line crossing under the river and connecting to the Lucas County facility. This pipeline will provide for future growth in the Middleton Township area.



Reitz, Ovitt and Pargillis Roads Waterline

During 2005, the District completed installation of 29,200 linear feet of 8" waterline along Reitz, Ovitt and Pargillis roads in Middleton Township. Besides providing new water service, the lines provide a vital looping of the current system which results in greater reliability.

City of Oregon Water Treatment Plant Expansion

The District agreed contractually to fund a portion of the cost to expand the City of Oregon's water treatment plant in order to receive an 11.58% allocation of the plant production. During 2005, phases IV and V were completed which brings this expansion to conclusion. This will ensure the District long-term water capacity for the Oregon service area of up to 1 million gallons per day.

Water and Sewer Master Plan Update

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

WaterShed Retail Water Vending



During 2005, the District, with support from its Trustees, put together a business plan that resulted in the District establishing WaterShed kiosks in order to vend purified water to the public in 1 gallon and 5 gallon quantities. The first location was at the District’s headquarters on Middleton Pike with a second unit put in place at the corner of a busy intersection in the City of Bowling Green. The District is planning to put into service 3 or 4 additional units in 2006. One of these will be in the small community of Custar which has bad water quality and where it will be several years before the District can bring potable water from a central source.

Audit Committee

Based on a recommendation from the Auditor of State to all public entities, the Board of the District established an Audit Review Committee composed of three individuals. One is a member of the Board’s Finance Committee and the other two are not affiliated with the District but are knowledgeable about governmental accounting and reporting requirements. The Committee meets with the independent auditor prior to the commencement of the audit and again at the completion to review the results of the audit.

INDEPENDENT AUDIT

Included in this report is an unqualified opinion rendered on the District’s financial statements for the year ended December 31, 2005, by Gilmore, Jasion and Mahler LTD., a firm of licensed independent certified public accounts. As part of the preparation of the comprehensive annual financial report, the District subjects its financial statements to an annual audit. The annual audit serves to strengthen the District’s accounting, internal and budgetary controls.

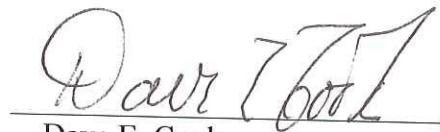
ACKNOWLEDGEMENTS

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

Respectfully submitted.



Jerry Greiner
Executive Director



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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

DISTRICT OFFICIALS

DECEMBER 31, 2005

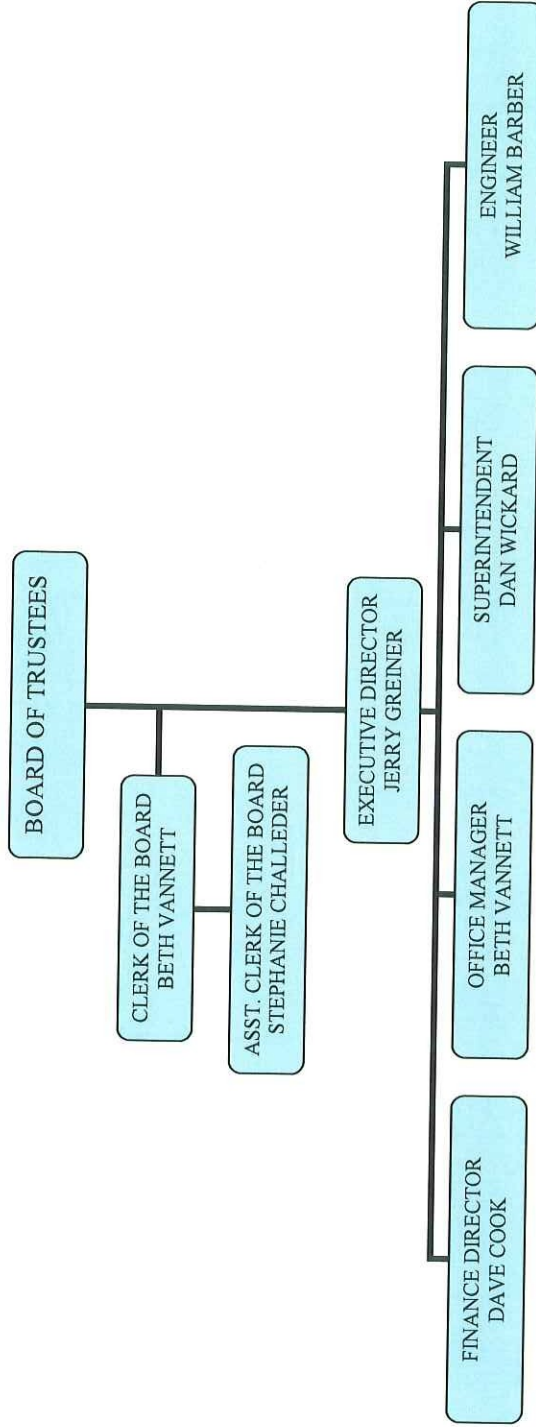
Board of Trustees

<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
President.....	Phillip Shaffer.....	9/14/95	12/31/10
Vice President.....	John Ault.....	7/21/92	12/31/06
Secretary/Treasurer.....	John M. Current.....	7/21/92	12/31/08
Member.....	Lyle Schulte.....	1/01/99	12/31/10
Member.....	Paul Brim.....	1/1/94	12/31/06
Member.....	John A. Cheney.....	7/21/92	12/31/10
Member.....	Terry D. Murray.....	11/18/04	12/31/08
Member.....	Alex Molner.....	01/16/97	12/31/06
Member.....	Vacant.....		

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, 2005



Number of Employees by Department	
Executive	1
Engineering	7
Operations	20
Finance	2
Office	6
Total Employees December 31, 2005	36

GILMORE, JASION & 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, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

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, 2005 and 2004, 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 April 5, 2006 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 read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis and budgetary comparison information on pages F3 – F8 and F32 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 additional information on pages F33 – 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

April 5, 2006

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, 2005. 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 \$86,873,442 as of December 31, 2005.
- Net assets increased by \$3,259,507 in 2005.
- Of the increase in net assets, \$5,446,347, was attributable to investment in capital assets, net of related debt. The remaining change of a net decrease of \$2,186,840 was attributable to \$2,582,743 decrease in unrestricted net assets and \$395,903 increase in restricted assets.
- Debt increased \$518,194. Retirements of debt principal were \$1,397,684 and new issues of debt principal were \$1,906,878.

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, \$67.0 million (77%) 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)

	2005	2004	2003	Change			
				2005/2004		2004/2003	
	Amt	%	Amt	%	Amt	%	
<u>Assets</u>							
Current assets	\$15,820	\$17,010	\$16,110	\$-1,190	-7.0%	\$ 900	5.6%
Capital assets, net	91,092	85,516	81,716	5,576	6.5	3,800	4.6
Other non-current assets	9,177	9,342	8,249	-166	-1.8	1,093	13.2
Total assets	116,089	111,868	106,075	4,220	3.8	5,793	5.5
<u>Liabilities</u>							
Current liabilities	3,877	3,099	6,429	778	25.1	-3,330	-51.8
Long-term debt	25,338	25,155	20,429	183	0.7	4,594	23.1
Total liabilities	29,215	28,254	26,858	961	3.4	1,396	5.2
<u>Net assets</u>							
Invested in capital assets	66,996	61,550	59,024	5,446	8.8	2,526	4.3
Restricted	2,896	2,500	2,306	396	15.8	194	8.4
Unrestricted	16,981	19,564	17,886	-2,583	13.2	1,678	9.4
Total net assets	\$86,873	\$83,614	\$79,216	\$3,259	3.9%	\$4,398	5.6%

Net assets increased by \$3,259 thousands during 2005 and by \$4,398 thousands during 2004. The majority of this increase was due to the following:

- Capital assets increased by \$6,426,518 offset by related depreciation increase of \$3,118,627 in 2005 and \$9,420,494 offset by related depreciation increased by \$2,571,136 in 2004 due mainly to construction of water and sewer lines.
- Long-term debt, including current portion, increased by \$509,194 in 2005 and long-term debt increased by \$4,932,390 and short-term debt decreased by 3,479,339 in 2004, all related to borrowing for construction projects.

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

The District's net assets increased by \$3.2 million in 2005 and by \$4.4 million in 2004. Key elements of this increase are as follows:

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

(In Thousands of Dollars)

	2005	2004	2003	<u>Change</u>		2004/2003	Amt	%
				<u>2005/2004</u>	<u>2004/2003</u>			
	Amt			Amt	%			
Utility Revenue	\$5,106	\$4,655	\$4,603	\$451	9.7%	\$52		1.1%
Fees and Permit	400	470	377	-70	-14.9	93		24.7
Contract Services	184	172	163	12	7.0	9		5.5
Other	121	98	77	23	23.5	21		27.3
Non-Operating Revenue	892	1,018	640	-124	-12.3	377		58.9
Total Revenues	6,703	6,413	5,860	290	4.5	552		9.4
Depreciation & Amortization	3,178	2,983	2,610	195	6.5	373		14.3
Other Operating Expense	4,169	3,966	3,524	203	5.1	442		12.5
Non-Operating Expense	1,226	1,115	1,137	111	10.0	-22		-1.9
Total Expenses	8,573	8,064	7,271	509	6.3	793		10.9
Loss Before Aid In Construction	-1,870	-1,651	-1,411	-219	-13.3	-240		-17.0
Aid In Construction	5,130	6,048	7,541	-918	-15.2	-1,493		-19.8
Changes in net assets	\$3,260	\$4,397	\$6,130	\$-1,137	-25.6%	\$-1,733		-28.3%

Utility revenues increased in both 2005 and 2004 due to a combination of increased customer base and an increase in rates.

Non-operating revenues decreased in 2005 and increased in 2004 reflecting a \$250 thousand gain on the sale of the District's former operations facility.

Aid In Construction decreased in 2005 due to the District not receiving any grant money for water and sewer lines. Aid In Construction decreased in 2004 from a combination of lower grant money received for projects and a lower level of developer turnover of water and sewer lines to the District.

NORTHWESTERN WATER & SEWER DISTRICT

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

Capital Assets

At the end of 2005, the District had \$91,092,121 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$5.6 million, or 6.5% over 2004.

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

	2005	2004	Change	
			Amount	%
Land	\$ 485	\$ 293	\$ 192	65.5%
Construction in Progress	2,906	829	2,077	250.5
Water and Sewer Lines	77,065	74,107	2,958	4.0
Buildings, structures and improvements	9,334	8,915	419	4.7
Equipment	1,302	1,371	-67	-5.0
Totals	<u>\$91,093</u>	<u>\$85,515</u>	<u>\$5,579</u>	<u>6.5%</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 and water and sewer lines.

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

NORTHWESTERN WATER & SEWER DISTRICT

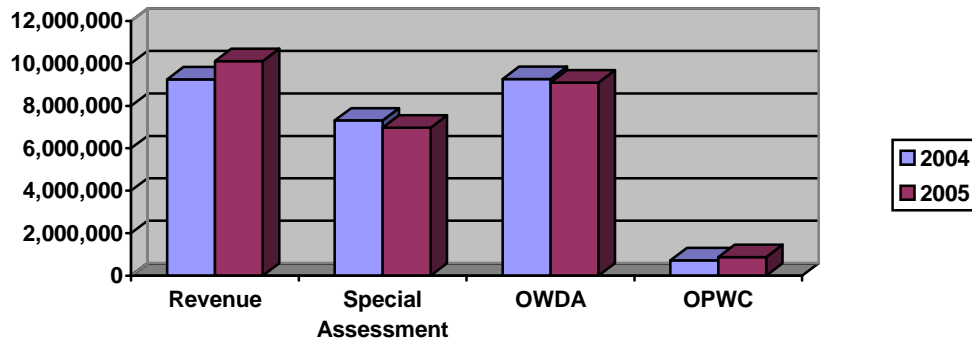
Management's Discussion and Analysis (Unaudited)

Debt Administration

At December 31, 2005 the District had total debt outstanding of \$27,041,044 compared to \$26,531,850 at December 31, 2004. This represents an increase of \$509,194. During 2005 the District issued \$1,906,878 of new debt and repaid \$1,397,684 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)

	2005	2004
Revenue Bonds and Notes	\$10,106,379	\$9,238,309
Special Assessment Bonds and Notes	6,973,537	7,311,000
Ohio Water Development Authority Loans	9,089,566	9,256,473
Ohio Public Works Commission Loans	871,562	726,068
Total Debt	\$27,041,044	\$26,531,850



NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Economic Factors

Based on a previous rate study, sewer rates were increased by 5% for 2005. Water rates were increased by 4%, effective January 1, 2005. Utility revenues for 2005 increased \$451,287 or 9.7% over 2004. In addition to the water rate increases were water volume increase in 2005 of 14.8% and sewer volume increase of 6.0% respectively. During 2005, the District learned that a sewer customer had been billed incorrectly for the previous two years by the City of Toledo on behalf of the District. This resulted in the District reducing sewer revenues by \$226,524 in 2005. Sewer rates are scheduled to increase 5% for 2006 and water rates will increase by 4% effective January 1, 2006. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every two years.

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, 2005 and 2004**

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents-unrestricted (Note 2)	\$ 2,121,553	\$ 1,835,166
Cash and cash equivalents-restricted (Note 2)	971,427	1,151,941
Investments-unrestricted (Note 2)	7,290,809	9,252,733
Investments-restricted (Note 2)	1,924,333	1,347,916
Accounts receivable - trade	1,959,625	1,985,944
Current portion of special assessments	1,179,584	1,137,908
Inventory	319,043	246,519
Prepaid expenses	53,754	52,117
Total current assets	15,820,128	17,010,244
Noncurrent assets		
Capital assets (Note 3, 4 and 5)		
Sewer and water lines	123,269,913	117,906,764
Buildings, pumps and lift stations	8,906,071	8,664,207
Machinery and equipment	2,336,046	2,198,183
Vehicles	1,089,823	973,267
Furniture and fixtures	196,084	193,405
Computer equipment	413,467	393,295
Improvements - Oregon waste water treatment plant	5,461,203	4,916,968
Total depreciable capital assets	141,672,607	135,246,089
Accumulated depreciation and amortization	(53,971,395)	(50,852,768)
Net depreciable capital assets	87,701,212	84,393,321
Land	484,725	292,928
Construction in progress	2,906,184	829,345
Net capital assets	91,092,121	85,515,594
Other assets		
Special assessments, less current portion	8,521,186	8,655,660
Reserve with county commissioners (Note 6)	258,769	258,769
Deferred loan costs, net of accumulated amortization of \$40,553 and \$32,485, respectively	58,124	66,192
Miscellaneous	338,376	361,674
Total other assets	9,176,455	9,342,295
Total noncurrent assets	100,268,576	94,857,889
Total assets	116,088,704	111,868,133

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

**NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF NET ASSETS, CONTINUED
December 31, 2005 and 2004**

	2005	2004
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt (Note 5)	\$ 1,703,085	\$ 1,377,095
Accounts payable - trade	919,509	546,629
Compensated absences payable (Note 8)	179,566	143,661
Accrued payroll and payroll taxes	148,353	132,458
Accrued interest payable	469,681	495,905
Accounts due others	457,109	403,695
Total current liabilities	3,877,303	3,099,443
Long-term debt, less current portion (Note 5)	25,337,959	25,154,755
Total liabilities	29,215,262	28,254,198
Net assets		
Invested in capital assets, net of related debt	66,996,140	61,549,793
Restricted	2,895,760	2,499,857
Unrestricted	16,981,542	19,564,285
Total net assets	\$ 86,873,442	\$ 83,613,935

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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues		
Utility revenue	\$ 5,106,308	\$ 4,655,021
Fees and permits	399,988	469,832
Contract services	183,734	171,713
Other	121,433	98,180
Total operating revenues	<u>5,811,463</u>	<u>5,394,746</u>
Operating expenses		
Depreciation and amortization	3,178,038	2,983,019
Labor	1,400,332	1,318,920
Employee benefits	527,148	480,711
Professional services	242,008	306,209
Purchased water and sewer treatment	834,553	714,639
Materials and supplies	570,302	593,570
Utilities	283,892	267,780
Rent	6,344	6,322
Other	304,059	277,327
Total operating expenses	<u>7,346,676</u>	<u>6,948,497</u>
Operating loss	(1,535,213)	(1,553,751)
Nonoperating revenues (expenses)		
Interest income	891,628	738,452
Interest expense	(1,176,543)	(1,114,517)
Other income (expense)	(50,367)	278,577
Net nonoperating revenues (expenses)	<u>(335,282)</u>	<u>(97,488)</u>
Aid in construction	<u>5,130,002</u>	<u>6,047,917</u>
Change in net assets	3,259,507	4,396,678
Net assets - beginning	<u>83,613,935</u>	<u>79,217,257</u>
Net assets - ending	<u>\$ 86,873,442</u>	<u>\$ 83,613,935</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, 2005 and 2004

	2005	2004
Cash flows from operations		
Cash received from customers	\$ 5,837,782	\$ 5,253,961
Cash payments to suppliers for goods and services	(1,877,387)	(2,441,210)
Cash payments to employees for services	(1,875,680)	(1,777,346)
Net cash provided by operations	2,084,715	1,035,405
 Cash flows from capital and related financing activities		
Aid in construction	1,012,088	1,345,906
Proceeds from capital grant	0	1,693,879
System development fees	1,251,625	1,169,630
Acquisition and construction of capital assets	(5,734,074)	(4,075,375)
Proceeds from issuance of long-term debt	1,906,878	6,168,973
Repayment of short-term notes	0	(3,479,339)
Repayment of long-term debt	(1,397,684)	(1,236,583)
Collections on special assessments	(41,676)	(602,736)
Increase in capital asset payable	0	(97,774)
Interest paid	(1,202,767)	(1,079,792)
Net cash used in capital and related financing activities	(4,205,610)	(193,211)
 Cash flows from investing activities		
Interest received	891,628	738,452
Proceeds on sale of investments	33,082,486	7,809,185
Purchases of investments	(31,747,346)	(9,762,017)
Net cash provided by (used in) investing activities	2,226,768	(1,214,380)
 Increase (decrease) in cash and cash equivalents	105,873	(372,186)
 Cash and cash equivalents - beginning of the year	2,987,107	3,359,293
 Cash and cash equivalents - end of year	\$ 3,092,980	\$ 2,987,107
 Restricted cash	\$ 971,427	\$ 1,151,941
Unrestricted cash	\$ 2,121,553	\$ 1,835,166

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, 2005 and 2004**

	2005	2004
Cash flows from Operations		
Operating loss	\$ (1,535,213)	\$ (1,553,751)
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	3,178,038	2,983,019
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable-trade	26,319	(140,785)
Inventory	(72,524)	36,283
Other assets	45,906	(297,442)
Accounts payable-trade	372,880	18,672
Accrued payroll and related taxes	15,895	23,731
Amounts due to others	53,414	(34,322)
Total adjustments	3,619,928	2,589,156
Net cash provided by operations	\$ 2,084,715	\$ 1,035,405

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, 2005 and 2004

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 criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The District does not have financial accountability over any entities.

Basis of Accounting

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statements of net 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 Equivalents

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

Accounts Receivable - Trade

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

Deferred Loan Costs

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

Special Assessments Receivable

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory

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

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed, as incurred. Contributed assets are stated at fair value at the time of contribution. 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 \$100,190 and \$71,360 for the years ended December 31, 2005 and 2004, respectively.

Investments

Investments are stated at fair value.

Compensated Absences

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

Revenues and Expenses

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Aid in Construction

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

Net Assets

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

The District's Board of Trustees has designated unrestricted net assets of \$8,225,816 and \$8,644,888 as of December 31, 2005 and 2004, respectively for capital and operating expenditures, and debt service. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board.

User Rates and Expenses

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

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, 2005 and 2004**

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*. The carrying value of the District's deposits was \$2,121,580 and \$1,853,766 at December 31, 2005 and 2004, respectively. Of the bank balance at December 31, 2005 \$100,000 was covered by federal depository insurance and \$1,276,298 and \$1,939,388 as of December 31, 2005 and 2004, 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, 2005 and 2004**

NOTE 2 - CASH AND INVESTMENTS, continued

Investments

State Statute and Board Resolutions authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The District has no investment policy that addresses interest rate risk.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005 and 2004.

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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. The District's investment in Federal National Mortgage Association Notes represents 18% of the District's total investments.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 2 - CASH AND INVESTMENTS, continued

Investments, Continued

The District's investments consist of the following:

<u>INVESTMENT</u>	<u>2004</u> CARRYING/ FAIR VALUE	<u>2005</u> CARRYING/ FAIR VALUE	<u>Maturity</u> Less than 1 year	<u>Maturity</u> 2-5 Years
U.S. Treasuries and Federal Agency Obligations	\$ 8,253,702	\$ 7,882,062	\$ 5,712,689	\$2,169,373
Money Market Mutual Funds	2,346,947	1,333,080	1,333,080	0
STAR Ohio	<u>1,133,341</u>	<u>971,400</u>	<u>971,400</u>	<u>0</u>
Total Investments (including restricted)	<u>\$11,733,990</u>	<u>\$10,186,542</u>	<u>\$8,017,169</u>	<u>\$2,169,373</u>

Classification in the Statement of Net Assets:

	<u>2005</u>	<u>2004</u>
Cash and Equivalents:		
Current	\$ 2,121,553	\$ 1,835,166
Restricted for debt retirement	<u>971,427</u>	<u>1,151,941</u>
Total	<u>\$ 3,092,980</u>	<u>\$ 2,987,107</u>
Investments:		
Current	\$ 7,290,809	\$ 9,252,733
Restricted for debt retirement	<u>1,924,333</u>	<u>1,347,916</u>
Total	<u>\$ 9,215,142</u>	<u>\$10,600,649</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2005 is as follows:

	<u>Balance at</u> <u>December 31, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at</u> <u>December 31, 2005</u>
Non-depreciable					
Land	\$ 292,928	\$ 19,831	\$	\$ 171,966	\$ 484,725
Construction in progress	829,345	4,830,183		(2,753,344)	2,906,184
Total non-depreciable	1,122,273	4,850,014	0	(2,581,378)	3,390,909
Depreciable					
Sewer and water lines	117,906,764	3,000,763		2,362,386	123,269,913
Buildings, pumps and lift stations	8,664,207	72,477		169,387	8,906,071
Machinery and equipment	2,198,183	129,668	41,410	49,605	2,336,046
Vehicles	973,267	116,556			1,089,823
Furniture and fixtures	193,405	2,679			196,084
Computer equipment	393,295	20,171			413,466
Improvements - Oregon waste					
Water treatment plant	4,916,968	544,236			5,461,204
Total depreciable cost	135,246,089	3,886,550	41,410	2,581,378	141,672,607
Totals at historical cost	136,368,362	8,736,564	41,410	0	145,063,516
Accumulated depreciation					
Sewer and water lines	43,804,437	2,400,574			46,205,011
Buildings, pumps and lift stations	3,646,957	241,916			3,888,873
Machinery and equipment	1,319,949	234,478	39,682		1,514,745
Vehicles	796,704	63,639			860,343
Furniture and fixtures	43,948	28,797			72,745
Computer equipment	226,587	58,434			285,021
Improvements - Oregon waste					
Water treatment plant	1,014,186	130,471			1,144,657
Total accumulated depreciation	50,852,768	3,158,309	39,682	0	53,971,395
Capital assets, net	\$ 85,515,594	\$ 5,578,255	\$ 1,728	\$ 0	\$ 91,092,121
Depreciation expense charged					
to operating expense		\$ 3,158,309			
Amortization of loan costs		19,728			
Total Depreciation and amortization		\$ 3,178,037			

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION, continued

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

	<u>Balance at</u> <u>December 31, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at</u> <u>December 31, 2004</u>
Non-depreciable					
Land	\$ 200,578	\$	\$ 53,240	\$ 145,590	\$ 292,928
Construction in progress	3,972,068	3,729,245		(6,871,968)	829,345
Total non-depreciable	4,172,646	3,729,245	53,240	(6,726,378)	1,122,273
Depreciable					
Sewer and water lines	109,235,269	2,458,005		6,213,490	117,906,764
Buildings, pumps and lift stations	8,419,418	14,249	214,690	445,230	8,664,207
Machinery and equipment	2,081,018	100,340	50,833	67,658	2,198,183
Vehicles	893,013	100,687	20,433		973,267
Furniture and fixtures	209,288	562	16,445		193,405
Computer equipment	466,535	29,468	102,708		393,295
Improvements - Oregon waste					
Water treatment plant	4,521,054	395,914			4,916,968
Total depreciable cost	125,825,595	3,099,225	405,109	6,726,378	135,246,089
Totals at historical cost	129,998,241	6,828,470	458,349	0	136,368,362
Accumulated depreciation					
Sewer and water lines	41,553,985	2,250,450			43,804,435
Buildings, pumps and lift stations	3,634,291	218,192	205,526		3,646,957
Machinery and equipment	1,139,460	229,647	49,158		1,319,949
Vehicles	751,831	65,306	20,433		796,704
Furniture and fixtures	40,487	19,907	16,445		43,949
Computer equipment	268,503	60,054	101,969		226,588
Improvements - Oregon waste					
Water treatment plant	893,075	121,111			1,014,186
Total accumulated depreciation	48,281,632	2,964,667	393,531	0	50,852,768
Capital assets, net	\$ 81,716,609	\$ 3,863,803	\$ 64,818	\$ 0	\$ 85,515,594
Depreciation expense charged					
to operating expense		\$ 2,964,667			
Amortization of loan costs		18,352			
Total Depreciation and amortization		\$ 2,983,019			

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 4-NOTES PAYABLE

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

	<u>Balance at 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/04</u>	<u>Amount due in 2005</u>
Jerry City Construction	\$ 2,430,079	\$	\$ 2,430,079	\$ 0	\$ 0
Rudolph SS	1,049,260		1,049,260	0	0
Ford Rd		1,530,000	1,530,000	0	0
	<u>\$ 3,479,339</u>	<u>\$ 1,530,000</u>	<u>\$ 5,009,339</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 5 - DEBT

Ohio Water Development Authority loans payable

The District has six 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, 2005 and 2004:

<u>Project Number</u>	<u>Date of Loan</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>2005 Amount Outstanding</u>	<u>2004 Amount Outstanding</u>
SS #140	09/29/94	1,065,000	4.18%	07/01/14	\$ 588,260	\$ 641,106
WL #234	07/27/95	5,496,313	6.36%	01/01/16	3,694,696	3,937,561
WL #167-183	05/27/99	3,503,947	5.56%	07/01/20	2,949,753	3,073,069
WL #300	10/28/04	90,500	4.10%	01/01/25	(1,482)	0
SS #904 & WL #904	08/31/00	1,660,596	3.0% - 6.39%	01/01/21	1,368,081	1,436,514
WL #318	9/31/04	338,000	4.56%	07/01/24	327,352	0
SS #1000	11/04/04	168,224	4.56%	07/01/24	162,906	168,224
					<u>\$ 9,089,566</u>	<u>\$ 9,256,474</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004

NOTE 5 - DEBT, continued

Other long-term loans at December 31, 2005 and 2004 are as follows:

Date of Issue	Purpose	Interest Rates	Maturity Date	2005	2004
				Amount Outstanding	Amount Outstanding
01/01/87	Sewer improvement - SS #220	7.76%	12/31/06	\$ 113,670	\$ 100,910
12/01/97	Jerry City SS/Cygnets Lagoon	6.04%	12/01/36	208,867	208,867
08/13/98	Jerry City SS #1800 OPWC loan	0.00%	07/01/19	353,984	366,627
09/08/98	Jerry City SS #1800 USDA loan	4.75%	09/08/38	266,700	270,000
07/01/03	W Boundary Rehab OPWC loan	0.00%	07/01/13	138,384	147,034
12/05/05	Easterly OPWC Loan	0.00%		111,231	0
07/31/04	Jerry City WL #CE37F	0.00%	01/01/25	189,268	136,912
11/03/04	Rudolph SS #CE33E	0.00%	07/01/24	78,695	80,766
				<u>\$ 1,460,799</u>	<u>\$ 1,311,116</u>

Bonded debt at December 31, 2005 and 2004 is as follows:

Date of Issue	Purpose	Original Amount	Interest Rates	Maturity Date	2005	2004
					Amount Outstanding	Amount Outstanding
09/17/96	Special assessment bond	277,159	6.20%	12/01/16	\$ 152,000	\$ 166,000
10/01/98	Special assessment bond	360,000	4.25 - 5.25%	10/01/18	230,000	250,000
09/23/99	Special assessment bond	500,000	5.85%	12/01/19	400,000	420,000
09/20/00	Special assessment bond	175,000	6.13%	12/01/20	135,000	145,000
03/01/02	2002 revenue bond	4,235,000	3.00 - 5.25%	12/01/21	2,635,000	3,035,000
06/07/02	Special assessment bond	957,578	4.75%	11/01/22	838,000	880,000
09/01/02	Special assessment bond	74,000	2.91 - 5.10%	12/01/22	68,737	70,904
09/01/02	Special assessment bond	1,121,000	2.91 - 5.10%	12/01/22	1,041,263	1,074,096
03/20/03	USDA building construction	2,975,000	4.63%	03/20/33	2,877,310	2,927,259
09/01/03	Special assessment bond	1,245,000	2.00 - 5.35%	09/01/23	1,170,000	1,215,001
06/28/04	USDA Revenue bond	796,000	4.375%	06/01/44	796,000	796,000
09/08/04	USDA Special assessment bond	820,000	4.75%	09/01/24	794,700	820,000
09/15/04	Special assessment bond	2,165,000	2.00 - 5.00%	12/01/24	2,143,837	2,165,000
09/15/04	Revenue bond	2,000,000	2.00 - 5.00%	12/01/24	1,945,001	2,000,000
08/01/05	Revenue bond	1,200,000	3.00 - 5.00%	12/01/25	1,263,831	0
					<u>\$ 16,490,679</u>	<u>\$ 15,964,260</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004

NOTE 5 - DEBT, continued

Long-term debt activity for the year ended December 31, 2005 is as follows:

	Balance at December 31, 2004	Additions	Reductions	Balance at December 31, 2005	Amount due in 2006
OWDA - SS #140	\$ 641,106		\$ 52,846	\$ 588,260	\$ 55,078
OWDA - WL #234	3,937,561		242,865	3,694,696	258,311
OWDA - WL #167 - 183	3,073,070		123,317	2,949,753	130,268
OWDA - SS #904 & WL #904	1,436,513		68,432	1,368,081	63,318
OWDA - SS #1000	168,224		5,318	162,906	4,975
OWDA - WL #300		90,500	91,982	(1,482)	0
Sewer improvement - SS #220	100,910		(12,760)	113,670	113,670
Jerry City SS/Cygnnet Lagoon	208,867		-	208,867	4,697
Jerry City SS #1800 OPWC loan	366,627		12,643	353,984	37,927
Jerry City SS #1800 USDA loan	270,000		3,300	266,700	3,500
W Boundary Rehab OPWC loan	147,034		8,650	138,384	17,298
Easterly OPWC loan		111,231	-	111,231	0
Jerry City WL #CE37F	136,912	59,479	7,123	189,268	9,706
Rudolph SS #CE33E	80,766		2,071	78,695	4,142
Special assessments bond	166,000		14,000	152,000	13,000
Special assessments bond	250,000		20,000	230,000	15,000
Special assessments bond	420,000		20,000	400,000	23,375
Special assessments bond	145,000		10,000	135,000	10,000
2002 revenue bond	3,035,000		400,000	2,635,000	525,000
Special assessments bond	880,000		42,000	838,000	42,000
Special assessments bond	70,904		2,167	68,737	2,477
Special assessments bond	1,074,096		32,833	1,041,263	37,523
USDA building construction	2,927,259		49,949	2,877,310	52,260
Special assessments bond	1,215,001		45,001	1,170,000	45,000
USDA Revenue bond	796,000		-	796,000	8,100
USDA Special assessment bond	820,000		25,300	794,700	26,500
Special assessment bond	2,165,000	43,837	65,000	2,143,837	75,000
Revenue bond	2,000,000		54,999	1,945,001	75,000
OWDA Jerry City		338,000	10,648	327,352	9,960
Revenue bond - Series 2005A		1,263,831	-	1,263,831	40,000
Total	<u>\$ 26,531,850</u>	<u>\$ 1,906,878</u>	<u>\$ 1,397,684</u>	<u>\$ 27,041,044</u>	<u>\$ 1,703,085</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 5 - DEBT, continued

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

NOTE 5 - DEBT, continued

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,703,085	\$ 1,280,474	\$ 2,983,559
2007	1,402,113	1,233,252	2,635,365
2008	1,331,463	1,176,294	2,507,757
2009	1,376,884	1,111,913	2,488,797
2010	1,466,351	1,053,206	2,519,557
2011-2015	7,793,120	4,143,819	11,936,939
2016-2020	6,831,809	2,236,243	9,068,052
2021-2025	3,254,472	861,567	4,116,039
2026-2030	855,739	360,043	1,215,782
2031-2035	696,003	149,152	845,155
2036-2040	173,246	56,179	229,425
2041-2045	156,759	25,543	179,942
Total	<u>\$ 27,041,044</u>	<u>\$ 13,687,686</u>	<u>\$ 40,726,372</u>

At December 31, 2005 and 2004, respectively, the District had \$2,895,760 and \$2,499,857 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, 2005 and 2004, \$2,062,000 and \$2,279,000 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 2005 and 2004, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,769 as of December 31, 2005 and 2004.

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, 2005 and 2004**

NOTE 6 - COUNTY DEBT OBLIGATIONS, continued

At December 31, 2005 and 2004, \$1,703,427 and \$1,962,321, 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 2005 and 2004, or in prior years on this reserve.

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of qualifying gross wages for all employees. The total 2005 and 2004 employer contribution rate was 13.55% of covered payroll. The District's contributions to PERS for the years ending December 31, 2005 and 2004 and 2003 were \$207,821, \$195,541, and \$186,900, respectively. All required contributions were made prior to each of those fiscal year ends.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 and 2004 employer contribution rate was 13.55% of covered payroll; 4% was the portion that was used to fund health care for 2005 and 2004, which is \$58,095 and \$56,400 for 2005 and 2004, respectively.

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Years Ended December 31, 2005 and 2004**

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, 2004. The following significant actuarial assumptions were used in this valuation:

Funding Method

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

Assets Valuation Method

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

Investment Return

The investment assumption rate was 8%.

Active Employee Total Payroll

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

Health Care Costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care cost were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants of PERS as of December 31, 2004 was 355,287. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$10.9 billion as of December 31, 2004. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.5 billion and 18.7 billion, respectively.

NOTE 8 - COMPENSATED ABSENCES

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Year Ended December 31, 2005 and 2004**

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.

The District has recorded an estimated liability of \$179,566 and \$143,661 as of December 31, 2005 and 2004, respectively, for vacation pay and sick leave payable, in accordance with GASB No. 16, "Accounting for Compensated Absences." The change in compensated absences as of December 31, 2005 and 2004 was \$35,905 and (\$1,439), 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 2005 and 2004. There have been no significant reductions in insurance coverage from 2004, and no insurance settlement has exceeded insurance coverage during the last four years.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

In 2004, the District received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of District management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2004. In 2005 the District did not receive any grants.

Construction Commitments

At December 31, 2005 and 2004, the District has construction commitments, on which work has not commenced, totaling approximately \$966,007 and \$119,100, respectively, which will be funded by existing resources or the issuance of new revenue debt.

System Development Fees

By settlement agreement dated September 14, 2000 relating to litigation between the District and the City of Northwood, the parties resolved all claims asserted. The District agreed to pay to Northwood system development fees collected within the City for a ten (10) year term beginning in 1999 in an aggregate amount not to exceed \$500,000. Northwood relinquished any claim that it owns the District's facilities and any claim to appropriate the facilities. In 2005 and 2004, the District remitted system development fees of approximately \$91,700 and \$33,350, respectively, for cumulative fees paid under the agreement of \$342,550 at December 31, 2005.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
For The Year Ended December 31, 2005 and 2004**

NOTE 10 - COMMITMENTS AND CONTINGENCIES, continued

Litigation and Claims

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

Other Pending EPA and Local Health Department Ordered Projects

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. As of December 31, 2005, there are three such ordered areas with preliminary or updated cost estimates totaling \$9.4 million for projects commencing or finishing over the next few years. These projects will be paid for by federal and state financial assistance and by the property owners benefiting from the projects through real estate special assessments and connection fees.

The District had approximately \$3,646,565 at December 31, 2005 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$2,190,402 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 - CHANGE IN ACCOUNTING PRINCIPLE

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

NOTE 12 - NON-CASH TRANSACTIONS

Special assessments of \$738,895 and \$1,992,176 were recognized and recorded as aid in construction in 2005 and 2004, respectively.

Developers dedicated water and sewer lines with total costs of \$2,969,460 and \$2,458,003 in 2005 and 2004, respectively, with such contributions recorded as aid in construction.

Increase (decrease) in fair value of investments as of December 31, 2005 and 2004 was \$(11,195) and \$8,551, respectively.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Years Ended December 31, 2005 and 2004

NOTE 13 - SEGMENT INFORMATION

Significant financial data for the respective divisions of the District's enterprise fund at and for the years ended December 31, 2005 and 2004 is as follows:

	2005			2004		
	Water	Sewer	Total	Water	Sewer	Total
Statement of net assets						
Current assets	\$ 6,447,620	\$ 9,372,508	\$ 15,820,128	\$ 6,210,935	\$ 10,799,309	\$ 17,010,244
Capital assets	38,219,958	52,872,163	91,092,121	35,399,169	50,116,425	85,515,594
Other assets	5,133,731	4,042,724	9,176,455	5,064,908	4,277,387	9,342,295
Total assets	49,801,309	66,287,395	116,088,704	46,675,012	65,193,121	111,868,133
Current liabilities	1,501,977	2,375,326	3,877,303	1,279,679	1,819,764	3,099,443
Long-term liabilities	12,541,459	12,796,500	25,337,959	11,745,117	13,409,638	25,154,755
Total liabilities	14,043,436	15,171,826	29,215,262	13,024,796	15,229,402	28,254,198
Invested in capital assets, net of related debt	26,972,842	40,023,298	66,996,140	24,892,777	36,657,016	61,549,793
Restricted	2,092,006	803,754	2,895,760	1,819,125	680,732	2,499,857
Unrestricted	6,693,025	10,288,517	16,981,542	6,938,314	12,625,971	19,564,285
Total net assets	\$ 35,757,873	\$ 51,115,569	\$ 86,873,442	\$ 33,650,216	\$ 49,963,719	\$ 83,613,935
Statement of revenues, expenses, and change in net assets						
Utility revenues	\$ 2,551,188	\$ 2,555,120	\$ 5,106,308	\$ 2,148,309	\$ 2,506,712	\$ 4,655,021
Other revenues	439,854	265,301	705,155	484,906	254,819	739,725
Total operating revenues	2,991,042	2,820,421	5,811,463	2,633,215	2,761,531	5,394,746
Depreciation and amortization	1,132,963	2,045,075	3,178,038	1,051,791	1,931,228	2,983,019
Other operating expenses	2,157,950	2,010,688	4,168,638	2,051,395	1,914,083	3,965,478
Total operating expenses	3,290,913	4,055,763	7,346,676	3,103,186	3,845,311	6,948,497
Operating loss	(299,871)	(1,235,342)	(1,535,213)	(469,971)	(1,083,780)	(1,553,751)
Interest expense	(672,696)	(503,847)	(1,176,543)	(619,812)	(494,705)	(1,114,517)
Other nonoperating						
Revenues	467,664	373,597	841,261	412,409	604,620	1,017,029
Total nonoperating revenues (expenses)	(205,032)	(130,250)	(335,282)	(207,403)	109,915	(97,488)
Aid in construction	2,612,560	2,517,442	5,130,002	3,609,049	2,438,868	6,047,917
Change in net assets	2,107,657	1,151,850	3,259,507	2,931,675	1,465,003	4,396,678
Beginning net assets	33,650,216	49,963,719	83,613,935	30,718,541	48,498,716	79,217,257
Ending net assets	\$ 35,757,873	\$ 51,115,569	\$ 86,873,442	\$ 33,650,216	\$ 49,963,719	\$ 83,613,935
Statement of cash flows						
Net cash provided by (used in)						
Operating activities	\$ 752,672	\$ 1,332,043	\$ 2,084,715	\$ 393,954	\$ 641,451	\$ 1,035,405
Capital and related financing	(1,063,359)	(3,142,251)	(4,205,610)	(1,837,067)	1,643,856	(193,211)
Investing	677,432	1,549,336	2,226,768	693,298	(1,907,678)	(1,214,380)
Cash at beginning of year	1,438,640	1,548,467	2,987,107	2,188,455	1,170,838	3,359,293
Cash at end of year	\$ 1,805,385	\$ 1,287,595	\$ 3,092,980	\$ 1,438,640	\$ 1,548,467	\$ 2,987,107

SUPPLEMENTAL INFORMATION

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET TO ACTUAL
December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues				
Utility revenue	\$ 5,262,000	\$ 5,262,000	\$ 5,106,308	\$ (155,692)
Fees and permits	339,228	339,228	399,988	60,760
Contract services	135,000	135,000	183,734	48,734
Other	40,000	40,000	121,433	81,433
Total operating revenues	<u>5,776,228</u>	<u>5,776,228</u>	<u>5,811,463</u>	<u>35,235</u>
Operating expenses				
Labor	1,497,000	1,497,000	1,400,332	96,668
Employee benefits	517,500	517,500	527,148	(9,648)
Professional services	258,850	258,850	242,008	16,842
Purchased water and sewer treatment	852,000	852,000	834,553	17,447
Materials and supplies	540,000	540,000	570,302	(30,302)
Utilities	287,500	287,500	283,892	3,608
Rent	-	-	6,344	(6,344)
Other	318,800	318,800	304,059	14,741
Depreciation and amortization	3,100,000	3,100,000	3,178,038	(78,038)
Total operating expenses	<u>7,371,650</u>	<u>7,371,650</u>	<u>7,346,676</u>	<u>24,974</u>
Operating loss	(1,595,422)	(1,595,422)	(1,535,213)	60,209
Nonoperating revenues (expenses)				
Interest income	580,000	580,000	891,628	311,628
Interest expense	(1,350,000)	(1,350,000)	(1,176,543)	173,457
Other	(22,000)	(22,000)	(50,367)	(28,367)
Net nonoperating revenues (expenses)	<u>(792,000)</u>	<u>(792,000)</u>	<u>(335,282)</u>	<u>456,718</u>
Excess of expenses over revenues	(2,387,422)	(2,387,422)	(1,870,495)	516,927
Reconciliation to change in net assets				
Aid in construction	3,711,279	3,711,279	5,130,002	1,418,723
Change in net assets	<u>\$ 1,323,857</u>	<u>\$ 1,323,857</u>	<u>\$ 3,259,507</u>	<u>\$ 1,935,650</u>

Note to supplementary information

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

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

	<u>2005</u>	<u>2004</u>
Excess of expenses over revenues - operating budget basis	\$ (1,870,495)	\$ (1,651,239)
Aid in construction	5,130,002	6,047,917
Change in net assets	<u>\$ 3,259,507</u>	<u>\$ 4,396,678</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS INFORMATION BY DIVISION
December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
ASSETS				
Current assets				
Cash and cash equivalents-unrestricted	\$ 1,386,541	\$ 735,012	\$ 0	\$ 2,121,553
Cash and cash equivalents-restricted	418,844	552,583	0	971,427
Investments-unrestricted	1,113,283	6,177,526	0	7,290,809
Investments-restricted	1,673,162	251,171	0	1,924,333
Accounts Receivable - trade	880,834	1,078,791	0	1,959,625
Current portion of special assessments	730,558	449,026	0	1,179,584
Inventory	222,421	96,622	0	319,043
Prepaid expenses	21,977	31,777	0	53,754
Total current assets	<u>6,447,620</u>	<u>9,372,508</u>	<u>0</u>	<u>15,820,128</u>
Noncurrent assets				
Capital assets				
Sewer and waterlines	49,503,639	73,766,274	0	123,269,913
Buildings, pumps and lift stations	3,079,229	5,826,842	0	8,906,071
Machinery and equipment	692,407	1,643,639	0	2,336,046
Vehicles	352,669	737,154	0	1,089,823
Furniture and fixtures	73,749	122,335	0	196,084
Computer equipment	151,831	261,636	0	413,467
Improvements - Oregon waste water trtmt. plant	2,380,467	3,080,736	0	5,461,203
Total depreciable capital assets	<u>56,233,991</u>	<u>85,438,616</u>	<u>0</u>	<u>141,672,607</u>
Accumulated depreciation	(18,506,964)	(35,464,431)	0	(53,971,395)
Net depreciable capital assets	<u>37,727,027</u>	<u>49,974,185</u>	<u>0</u>	<u>87,701,212</u>
Land	42,083	442,642	0	484,725
Construction in process	450,848	2,455,336	0	2,906,184
Net capital assets	<u>38,219,958</u>	<u>52,872,163</u>	<u>0</u>	<u>91,092,121</u>
Other assets				
Special assessments, less current portion	4,871,848	3,649,338	0	8,521,186
Reserve with county commissioners	36,836	221,933	0	258,769
Deferred loan costs, net of accumulated amortization of \$40,553	53,828	4,296	0	58,124
Miscellaneous	171,219	167,157	0	338,376
Total other assets	<u>5,133,731</u>	<u>4,042,724</u>	<u>0</u>	<u>9,176,455</u>
Total noncurrent assets	<u>43,353,689</u>	<u>56,914,887</u>	<u>0</u>	<u>100,268,576</u>
Total assets	49,801,309	66,287,395	0	116,088,704

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS INFORMATION BY DIVISION, CONTINUED
December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of long-term debt	\$ 851,491	\$ 851,594	\$ 0	\$ 1,703,085
Accounts payable - trade	240,807	678,702	0	919,509
Compensated absences payable	68,235	111,331	0	179,566
Accrued payroll and payroll taxes	57,154	91,199	0	148,353
Accrued interest payable	249,856	219,825	0	469,681
Amounts due others	34,434	422,675	0	457,109
Total current liabilities	<u>1,501,977</u>	<u>2,375,326</u>	<u>0</u>	<u>3,877,303</u>
 Long-term debt, less current portion	 <u>12,541,459</u>	 <u>12,796,500</u>	 <u>0</u>	 <u>25,337,959</u>
Total liabilities	<u>14,043,436</u>	<u>15,171,826</u>	<u>0</u>	<u>29,215,262</u>
 Net assets				
Invested in capital assets, net of related debt	26,972,842	40,023,298	0	66,996,140
Restricted	2,092,006	803,754	0	2,895,760
Unrestricted	6,693,025	10,288,517	0	16,981,542
Total net assets	<u>\$ 35,757,873</u>	<u>\$ 51,115,569</u>	<u>\$ 0</u>	<u>\$ 86,873,442</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustments</u>	<u>Combined</u>
ASSETS				
Current assets				
Cash and cash equivalents-unrestricted	\$ 747,097	\$ 1,088,069	\$ 0	\$ 1,835,166
Cash and cash equivalents-restricted	691,543	460,398	0	1,151,941
Investments-unrestricted	1,868,631	7,384,102	0	9,252,733
Investments-restricted	1,127,582	220,334	0	1,347,916
Accounts receivable - trade	861,050	1,124,894	0	1,985,944
Current portion of special assessments	709,263	428,645	0	1,137,908
Inventory	185,550	60,969	0	246,519
Prepaid expenses	20,219	31,898	0	52,117
Total current assets	<u>6,210,935</u>	<u>10,799,309</u>	<u>0</u>	<u>17,010,244</u>
Noncurrent assets				
Capital assets				
Sewer and water lines	46,813,778	71,092,986	0	117,906,764
Buildings, pumps and lift stations	2,906,006	5,758,201	0	8,664,207
Machinery and equipment	584,804	1,613,379	0	2,198,183
Vehicles	310,842	662,425	0	973,267
Furniture and fixtures	71,494	121,911	0	193,405
Computer equipment	144,166	249,129	0	393,295
Improvements-Oregon waste water treatment plant	1,836,232	3,080,736	0	4,916,968
Total depreciable capital assets	<u>52,667,322</u>	<u>82,578,767</u>	<u>0</u>	<u>135,246,089</u>
Accumulated depreciation and amortization	<u>(17,395,132)</u>	<u>(33,457,636)</u>	<u>0</u>	<u>(50,852,768)</u>
Net depreciable capital assets	35,272,190	49,121,131	0	84,393,321
Land	42,083	250,845	0	292,928
Construction in process	84,896	744,449	0	829,345
Net capital assets	<u>35,399,169</u>	<u>50,116,425</u>	<u>0</u>	<u>85,515,594</u>
Other assets				
Special assessments, less current portion	4,820,813	3,834,847	0	8,655,660
Reserve with county commissioners	36,836	221,933	0	258,769
Deferred loan costs, net of accumulated amortization of \$32,485	57,209	8,983	0	66,192
Miscellaneous	150,050	211,624	0	361,674
Total other assets	<u>5,064,908</u>	<u>4,277,387</u>	<u>0</u>	<u>9,342,295</u>
Total noncurrent assets	<u>40,464,077</u>	<u>54,393,812</u>	<u>0</u>	<u>94,857,889</u>
Total Assets	46,675,012	65,193,121	0	111,868,133

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS INFORMATION BY DIVISION
For The Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Elimination Adjustment</u>	<u>Combined</u>
Operating revenues				
Utility revenue	\$ 2,551,188	\$ 2,555,120	\$ 0	\$ 5,106,308
Fees and permits	293,917	106,071	0	399,988
Contract services	89,253	94,481	0	183,734
Other operating revenues	56,684	64,749	0	121,433
Total operating revenues	<u>2,991,042</u>	<u>2,820,421</u>	<u>0</u>	<u>5,811,463</u>
Operating expenses				
Depreciation and amortization	1,132,963	2,045,075	0	3,178,038
Labor	534,005	866,327	0	1,400,332
Employee benefits	205,864	321,284	0	527,148
Professional services	117,852	124,156	0	242,008
Purchased water and sewer treatment	724,558	109,995	0	834,553
Materials and supplies	309,541	260,761	0	570,302
Utilities	122,596	161,296	0	283,892
Rent	2,411	3,933	0	6,344
Other	141,123	162,936	0	304,059
Total operating expenses	<u>3,290,913</u>	<u>4,055,763</u>	<u>0</u>	<u>7,346,676</u>
Operating loss	(299,871)	(1,235,342)	0	(1,535,213)
Nonoperating revenues (expenses)				
Interest income	462,213	429,415	0	891,628
Interest expense	(672,696)	(503,847)	0	(1,176,543)
Other income (expense)	5,451	(55,818)	0	(50,367)
Net nonoperating revenues (expenses)	<u>(205,032)</u>	<u>(130,250)</u>	<u>0</u>	<u>(335,282)</u>
Aid in construction	<u>2,612,560</u>	<u>2,517,442</u>	<u>0</u>	<u>5,130,002</u>
Change in net assets	2,107,657	1,151,850	0	3,259,507
Net assets - beginning	<u>33,650,216</u>	<u>49,963,719</u>	<u>0</u>	<u>83,613,935</u>
Net assets - ending	<u>\$ 35,757,873</u>	<u>\$ 51,115,569</u>	<u>\$ 0</u>	<u>\$ 86,873,442</u>

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

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

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION
For The Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
Cash flows from operations				
Cash received from customers	\$ 2,971,258	\$ 2,866,524	\$ 0	\$ 5,837,782
Cash payments to suppliers for goods and services	(1,498,506)	(378,881)	0	(1,877,387)
Cash payments to employees for services	(720,080)	(1,155,600)	0	(1,875,680)
Net cash provided by operations	<u>752,672</u>	<u>1,332,043</u>	<u>0</u>	<u>2,084,715</u>
Cash flows from capital and related financing activities				
Aid in construction	1,636,638	(624,550)	0	1,012,088
Proceeds from capital grant			0	0
System development fees	594,250	657,375	0	1,251,625
Acquisition and construction of capital assets	(3,614,994)	(2,119,080)	0	(5,734,074)
Proceeds from issuance of long-term debt	1,757,415	149,463	0	1,906,878
Repayment of long-term debt	(747,191)	(650,493)	0	(1,397,684)
Collections on special assessments	(21,295)	(20,381)	0	(41,676)
Increase in capital asset payable			0	0
Interest paid	(668,182)	(534,585)	0	(1,202,767)
Net cash used in capital and related financing activities	<u>(1,063,359)</u>	<u>(3,142,251)</u>	<u>0</u>	<u>(4,205,610)</u>
Cash flows from investing activities				
Interest received	462,213	429,415	0	891,628
Proceeds on sale of investments	9,076,216	24,006,270	0	33,082,486
Purchases of investments	(8,860,997)	(22,886,349)	0	(31,747,346)
Net cash provided by investing activities	<u>677,432</u>	<u>1,549,336</u>	<u>0</u>	<u>2,226,768</u>
Increase (decrease) in cash and cash equivalents	366,745	(260,872)	0	105,873
Cash and cash equivalents - beginning of the year	<u>1,438,640</u>	<u>1,548,467</u>	<u>0</u>	<u>2,987,107</u>
Cash and cash equivalents - end of year	<u>\$ 1,805,385</u>	<u>\$ 1,287,595</u>	<u>\$ 0</u>	<u>\$ 3,092,980</u>
Restricted cash	<u>\$ 418,844</u>	<u>\$ 552,583</u>	<u>\$ 0</u>	<u>\$ 971,427</u>
Unrestricted cash	<u>\$ 1,386,541</u>	<u>\$ 735,012</u>	<u>\$ 0</u>	<u>\$ 2,121,553</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS INFORMATION BY DIVISION, CONTINUED
For The Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
Cash flows from operations				
Operating loss	\$ (299,871)	\$ (1,235,342)	\$ 0	\$ (1,535,213)
Adjustments to reconcile to net cash provided by operating activities				
Depreciation and amortization	1,132,963	2,045,075	0	3,178,038
Changes in operating assets and liabilities that increase (decrease) cash flows:				
Accounts receivable-trade	(19,784)	46,103	0	26,319
Inventory	(36,871)	(35,653)	0	(72,524)
Other assets	(14,023)	59,929	0	45,906
Accounts payable-trade	19,460	353,420	0	372,880
Accrued payroll and related taxes	6,145	9,750	0	15,895
Amounts due to others	(35,347)	88,761	0	53,414
Total adjustments	<u>1,052,543</u>	<u>2,567,385</u>	<u>0</u>	<u>3,619,928</u>
Net cash provided by operations	<u>\$ 752,672</u>	<u>\$ 1,332,043</u>	<u>\$ 0</u>	<u>\$ 2,084,715</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Eliminating Adjustments</u>	<u>Combined</u>
Cash flows from operations				
Cash received from customers	\$ 2,563,544	\$ 2,690,417	\$ 0	\$ 5,253,961
Cash payments to suppliers for goods and services	(1,512,606)	(928,604)	0	(2,441,210)
Cash payments to employees for services	(656,984)	(1,120,362)	0	(1,777,346)
Net cash provided by operations	<u>393,954</u>	<u>641,451</u>	<u>0</u>	<u>1,035,405</u>
Cash flows from capital and related financing activities				
Aid in construction	622,153	723,753	0	1,345,906
Proceeds from capital grant	1,351,379	342,500	0	1,693,879
System development fees	566,259	603,371	0	1,169,630
Acquisition and construction of capital assets	(2,665,667)	(1,409,708)	0	(4,075,375)
Proceeds from issuance of long-term debt	2,956,912	3,212,061	0	6,168,973
Repayment of short-term notes	(2,430,079)	(1,049,260)	0	(3,479,339)
Repayment of long-term debt	(1,115,236)	(121,347)	0	(1,236,583)
Collections on special assessments	(422,038)	(180,698)	0	(602,736)
Increase in capital asset payable	(97,774)	0	0	(97,774)
Interest paid	(602,976)	(476,816)	0	(1,079,792)
Net cash provided by (used in) capital and related financing activities	<u>(1,837,067)</u>	<u>1,643,856</u>	<u>0</u>	<u>(193,211)</u>
Cash flows from investing activities				
Interest received	408,849	329,603	0	738,452
Proceeds on sale of investments	2,853,346	4,955,839	0	7,809,185
Purchases of investments	(2,568,897)	(7,193,120)	0	(9,762,017)
Net cash provided by (used in) investing activities	<u>693,298</u>	<u>(1,907,678)</u>	<u>0</u>	<u>(1,214,380)</u>
Increase (Decrease) in cash and cash equivalents	(749,815)	377,629	0	(372,186)
Cash and cash equivalents - beginning of the year	<u>2,188,455</u>	<u>1,170,838</u>	<u>0</u>	<u>3,359,293</u>
Cash and cash equivalents - end of year	<u>\$ 1,438,640</u>	<u>\$ 1,548,467</u>	<u>\$ 0</u>	<u>\$ 2,987,107</u>
Restricted cash	<u>\$ 691,543</u>	<u>\$ 460,398</u>	<u>\$ 0</u>	<u>\$ 1,151,941</u>
Unrestricted cash	<u>\$ 747,097</u>	<u>\$ 1,088,069</u>	<u>\$ 0</u>	<u>\$ 1,835,166</u>

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

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



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

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Collection Only</u>	<u>Collection & Treatment</u>
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
1998	7.36	14.73	8.51	19.32
1997	7.01	14.03	8.10	18.40
1996	7.01	14.03	8.10	18.40

(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>	
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
1998	4.10	8.20	2.84
1997	3.90	7.80	2.70
1996	3.90	7.80	2.70

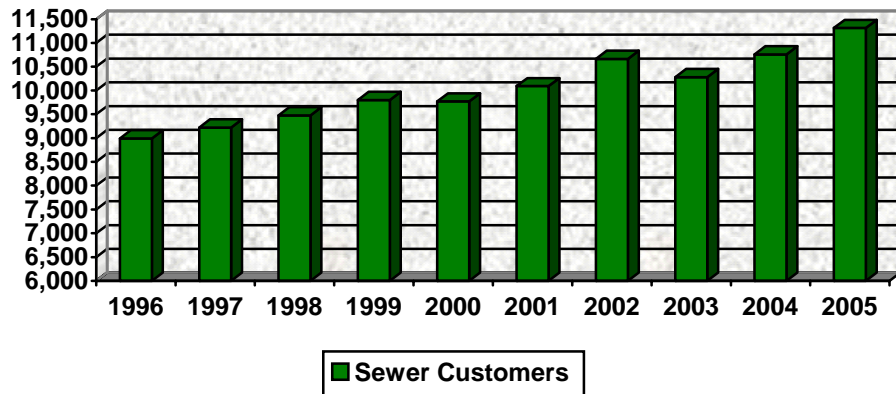
(1) Per 1,000 cubic feet of water consumption

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>
1996	8,992	3,500	1,277,517
1997	9,220	3,302	1,205,113
1998	9,474	3,555	1,297,606
1999	9,799	3,786	1,381,954
2000	9,769	3,701	1,350,954
2001	10,091	3,816	1,392,858
2002	10,664	3,889	1,419,634
2003	10,283	4,006	1,462,233*
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500



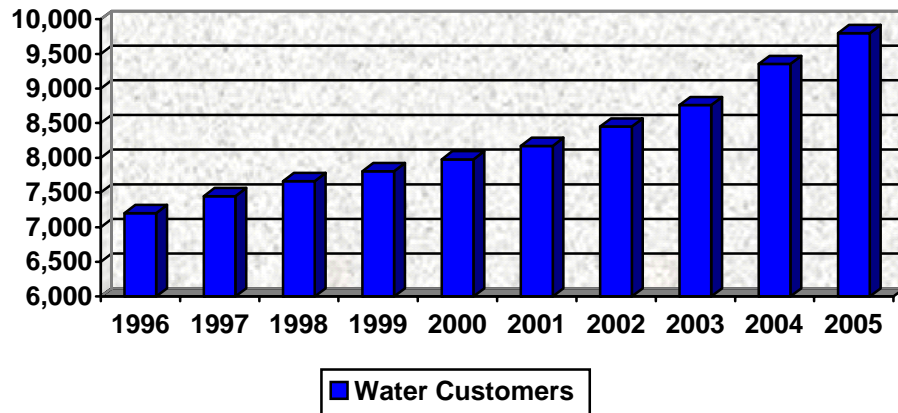
* In 2003 as part of a legal settlement, approximately 600 customers were given to the City of Perrysburg.

Source: District accounting records



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

<u>Year</u>	<u>Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
1996	7,201	4,368	1,594,207
1997	7,447	4,140	1,510,943
1998	7,664	4,667	1,703,334
1999	7,806	4,461	1,628,170
2000	7,978	4,206	1,535,324
2001	8,170	4,116	1,502,246
2002	8,449	3,979	1,452,430
2003	8,756	4,059	1,481,478
2004	9,353	3,966	1,447,600
2005	9,799	3,935	1,436,400



Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
TEN LARGEST SEWER CUSTOMERS
AS OF DECEMBER 31, 2005**

<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Billed Charges</u>	<u>% of Total System Revenue</u>
1. DaimlerChrysler	108,684	\$150,143	5.88%
2. Walnut Hills Mobile Home Park	37,487	51,927	2.03
3. Prefinished Metals	36,667	50,900	1.99
4. Friendly Village Mobile Home Park	35,320	49,032	1.92
5. Norplas	20,690	28,772	1.13
6. Holiday Inn Perrysburg Twp	16,822	23,397	.92
7. Perry Lake Village	12,497	12,364	.48
8. Eastpointe On The Mall Apartments	12,024	16,944	.66
9. Troy Villa Mobile Home Park	10,891	14,760	.58
10. Alpha Tube	<u>5,318</u>	<u>7,443</u>	<u>.29</u>
Total	296,400	\$405,682	15.88%

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
TEN LARGEST WATER CUSTOMERS
AS OF DECEMBER 31, 2005**

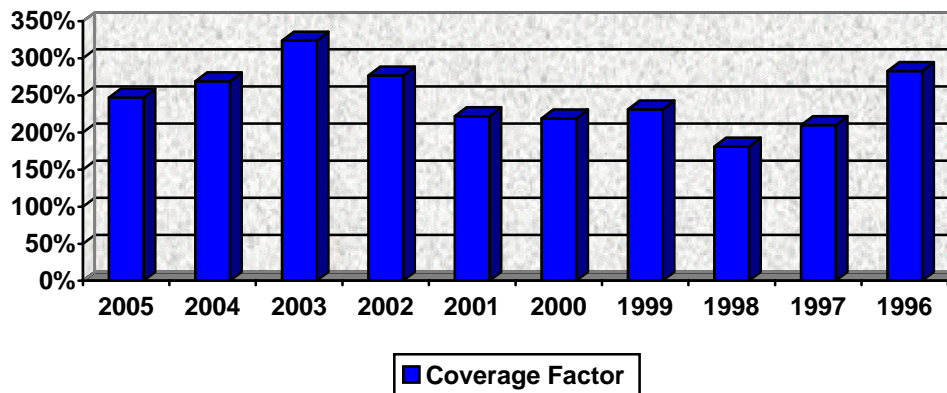
<u>Customer</u>	<u>Total Billed Consumption (000's/gal.)</u>	<u>Total Billed</u>	<u>% of Total System Revenue</u>
1. Hunt Wesson	140,534	\$ 84,105	3.30%
2. DaimlerChrysler	93,560	58,327	2.29
3. Prefinished Metals	43,751	26,802	1.05
4. Commercial Aluminum Cookware	40,699	23,428	.92
5. Walnut Hills Mobile Home Park	37,692	22,562	.88
6. Friendly Village I and II MHP	35,320	25,056	.98
7. Holiday Inn Perrysburg Twp	16,822	10,004	.39
8. Perry Lake Village	12,497	6,068	.24
9. Eastpointe On The Mall Apartments	12,024	35,469*	1.39
10. Troy Villa Mobile Home Park	<u>10,891</u>	<u>7,485</u>	<u>.29</u>
TOTAL	443,790	\$299,306	11.73%

* Includes master meter water rates, all other accounts are operations and maintenance charges only

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>
2005	\$ 7,954,716	\$ 4,219,005	\$ 3,735,711	\$ 1,513,114	247%
2004	7,581,405	3,965,478	3,615,927	1,345,569	269%
2003	7,031,171	3,525,989	3,505,182	1,082,625	324%
2002	6,831,468	3,338,421	3,174,828	1,144,255	277%
2001	5,854,707	3,319,320	2,535,387	861,884	222%
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%
1998	5,217,546	2,996,774	2,220,772	1,224,176	181%
1997	4,403,366	2,719,448	1,683,918	800,603	210%
1996	5,208,672	2,696,004	2,512,668	889,291	283%

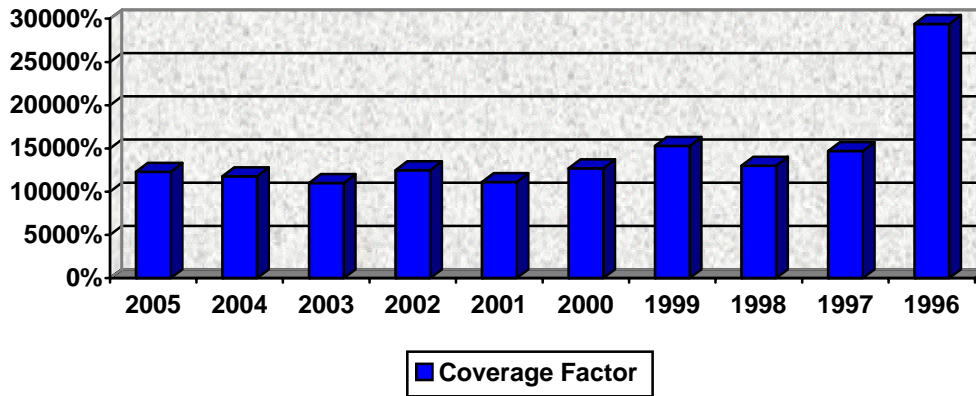


- (1) Includes water and sewer revenues. Also includes System Development Fees which were accounted for on the balance sheet as contributed capital through 2001. Beginning with 2002, GASB 33 requires System Development Fees be shown on the operating statement.
- (2) Excludes depreciation expense.
- (3)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

Source: District accounting records

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

<u>Fiscal Year</u>	<u>Special Assessments Collections</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor</u>
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%
1998	\$ 463,258	\$ 357,724	130%
1997	\$ 534,859	\$ 364,397	147%
1996	\$ 481,133	\$ 163,709	294%



Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
SEWER DEBT BY TOTAL DEBT SERVICE
AS OF DECEMBER 31, 2005**

Year	Revenue Debt			Special Assessment Debt			% of Debt Service	
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes	Totals	Remaining
2006	322,651	21,440	643,121	68,026	37,927	365,408	1,458,573	93.05%
2007	323,240	132,671	318,511	74,626	37,927	367,529	1,254,504	87.07%
2008	323,240	21,440	317,260	74,626	25,285	363,396	1,125,247	81.71%
2009	323,240	21,440	315,147	74,626	25,285	362,747	1,122,485	76.36%
2010	323,240	21,440	317,468	74,626	25,285	363,924	1,125,983	71.00%
2011	323,240	21,440	315,092	74,626	25,285	361,206	1,120,889	65.66%
2012	323,240	21,440	321,553	74,626	25,285	350,258	1,116,402	60.34%
2013	323,240	21,440	318,476	74,626	25,285	356,998	1,120,065	55.00%
2014	323,240	4,142	315,271	74,626	25,285	353,783	1,096,347	49.78%
2015	244,142	4,142	316,406	74,626	25,285	348,855	1,013,456	44.95%
2016	244,142	4,142	317,618	74,626	25,285	347,536	1,013,349	40.12%
2017	244,142	4,142	317,840	74,626	25,285	348,331	1,014,416	35.29%
2018	244,142	4,142	318,224	74,626	25,285	550,825	1,217,264	29.49%
2019	244,142	4,142	318,408	74,626	0	326,544	967,862	24.88%
2020	244,142	4,142	317,525	74,626	0	294,233	934,668	20.43%
2021	12,956	4,142	315,949	37,313	0	284,297	654,657	17.31%
2022	12,956	4,142	318,914	0	0	282,463	618,475	14.36%
2023-27	25,913	8,283	1,149,805	0	0	175,043	1,359,044	7.89%
2028-32	0	0	863,803	0	0	102,434	966,237	3.28%
2033-37	0	0	389,003	0	0	0	389,003	1.43%
2038-42	0	0	214,551	0	0	0	214,551	0.41%
2043-44	0	0	85,825	0	0	0	85,825	0.00%
Totals	\$4,425,248	\$328,312	\$8,425,770	\$1,150,103	\$353,989	\$6,305,810	\$20,989,302	

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, 2005**

Year	Revenue Debt			Special Assessment Debt		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2006	86,065	9,706	623,280	551,700	254,236	1,524,987	92.27%
2007	87,244	9,706	470,965	558,145	256,284	1,382,344	85.27%
2008	87,244	9,706	472,645	558,145	254,770	1,382,510	78.26%
2009	87,244	9,706	463,241	558,145	247,976	1,366,312	71.34%
2010	87,244	9,706	454,216	558,145	284,264	1,393,575	64.27%
2011	87,244	9,706	444,111	558,145	245,177	1,344,383	57.46%
2012	87,244	9,706	400,201	558,145	242,258	1,297,554	50.89%
2013	87,244	9,706	391,048	558,145	240,826	1,286,969	44.36%
2014	87,244	9,706	376,088	558,145	239,533	1,270,716	37.92%
2015	87,244	9,706	371,903	558,145	243,160	1,270,158	31.49%
2016	87,244	9,706	362,604	311,498	283,307	1,054,359	26.15%
2017	87,244	9,706	342,472	64,851	264,287	768,560	22.25%
2018	87,244	9,706	337,961	64,851	266,305	766,067	18.37%
2019	87,244	9,706	328,174	64,851	197,670	687,645	14.88%
2020	87,244	9,706	322,109	64,851	160,021	643,931	11.62%
2021	25,941	9,706	181,386	32,426	156,887	406,346	9.56%
2022	25,941	9,706	183,300	0	155,557	374,504	7.66%
2023-27	51,882	24,265	675,060	0	338,536	1,089,743	2.14%
2028-32	0		352,199	0	0	352,199	0.36%
2033-37	0		70,427	0	0	70,427	0.00%
Totals	\$1,411,245	\$189,267	\$7,623,390	\$6,178,333	\$4,331,054	\$19,733,289	

OWDA – Ohio Water Development Authority

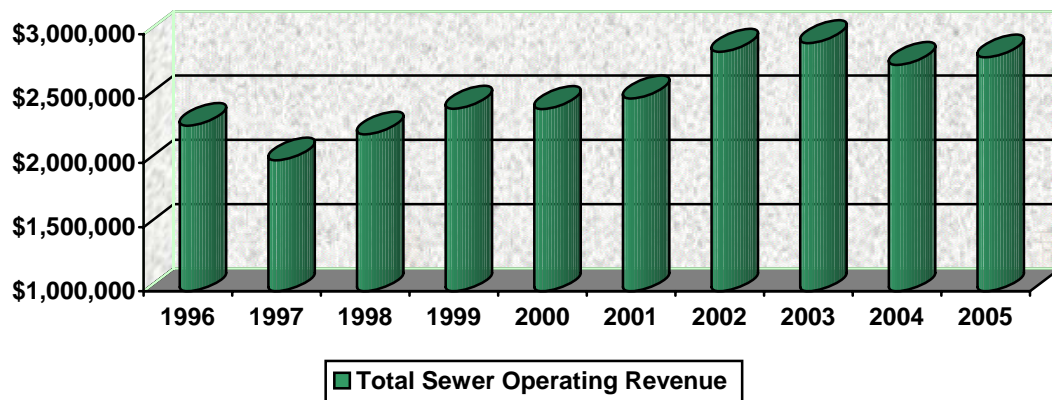
OPWC – Ohio Public Works Commission

Source: District accounting records



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

<u>Fiscal Year</u>	<u>Wastewater Revenue</u>	<u>Fees & Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
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	-.1%
1999	2,285,951	73,059	54,814	7,282	2,421,106	9.0%
1998	2,072,804	88,217	41,691	17,732	2,220,444	10.0%
1997	1,842,239	91,237	44,543	40,411	2,018,430	-11.8%
1996	2,044,884	89,846	41,965	111,687	2,287,884	10.1%

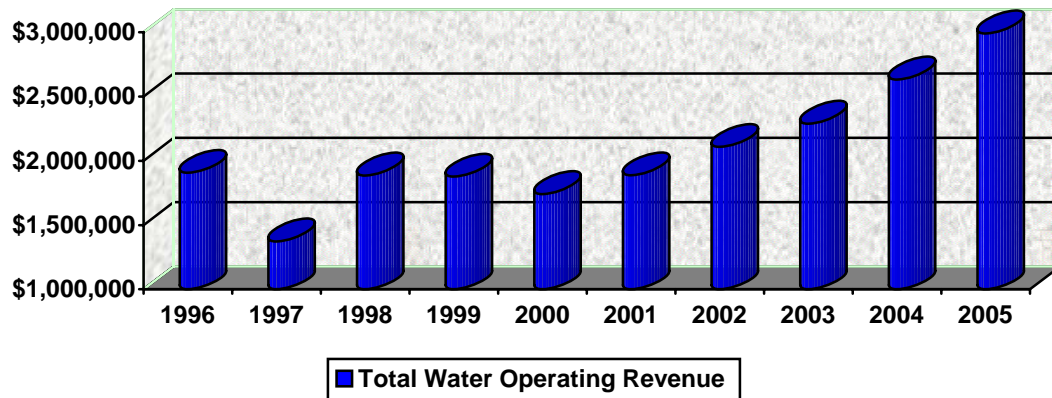


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Fees & Permits</u>	<u>Contract Services</u>	<u>Other Operating</u>	<u>Total</u>	<u>Percent Change</u>
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%
1998	1,555,070	201,617	2,214	126,391	1,885,292	37.3%
1997	1,255,200	96,158	2,626	19,332	1,373,316	-28.0%
1996	1,414,596	151,323	2,348	338,079	1,906,346	-8.0%

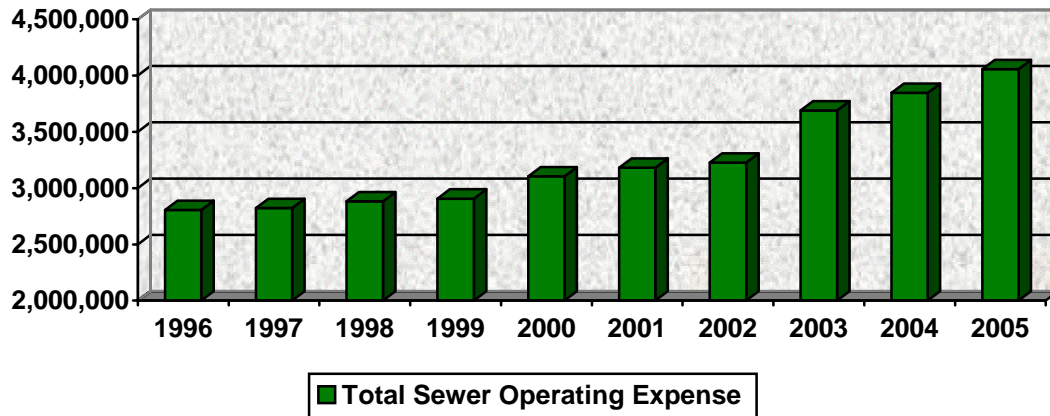


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries & Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Materials & Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
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%
1998	621,029	221,791	263,827	223,417	124,837	1,414,087	12,681	2,881,669	2.1%
1997	606,063	178,921	221,151	155,402	139,359	1,444,951	76,356	2,822,203	.6%
1996	571,303	188,907	266,805	148,147	126,425	1,407,678	95,119	2,804,384	.5%

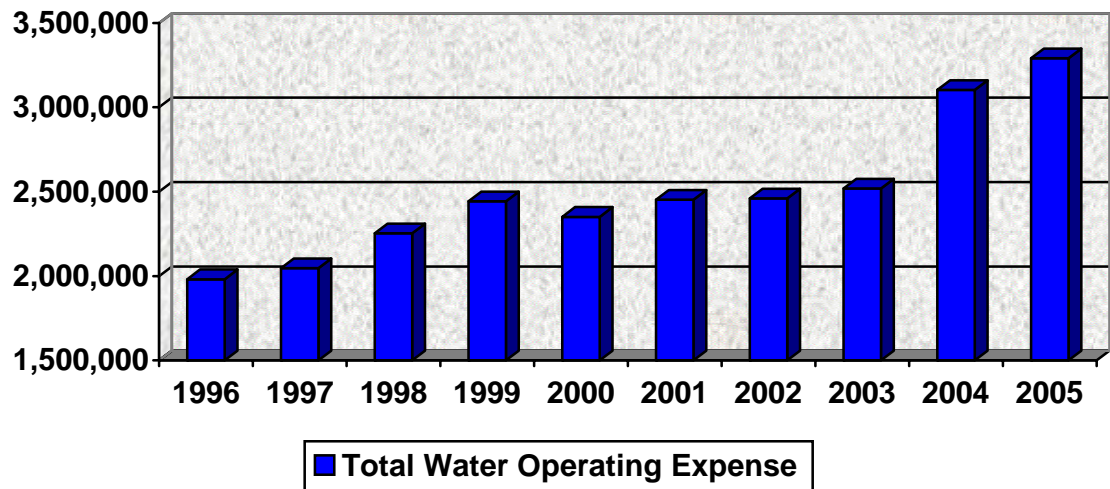


Source: District accounting records



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

<u>Fiscal Year</u>	<u>Salaries & Wages</u>	<u>Benefits</u>	<u>Professional Services</u>	<u>Purchased Water</u>	<u>Materials & Repairs</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expense</u>	<u>Total</u>	<u>Percent Change</u>
2005	534,005	205,864	117,852	724,558	309,541	122,596	1,132,963	143,534	3,290,913	6.0%
2004	478,590	186,742	139,556	624,052	396,242	112,360	1,051,791	113,853	3,103,186	23.2%
2003	479,754	183,524	120,011	558,713	158,696	112,248	836,178	69,899	2,519,023	2.4%
2002	392,709	169,913	150,837	528,894	198,582	111,029	842,693	65,432	2,460,089	.3%
2001	397,605	149,828	107,408	599,660	226,296	119,404	793,319	58,618	2,452,138	4.3%
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%
1998	354,317	142,029	182,664	441,945	236,454	123,449	724,327	48,333	2,253,518	10.1%
1997	348,238	102,271	143,753	336,285	235,866	124,395	704,259	51,388	2,046,455	3.3%
1996	350,449	125,774	203,608	329,002	117,361	107,336	681,974	65,768	1,981,272	-18.2%



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>
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
1998	220,419	0	0	220,419
1997	165,325	0	0	165,325
1996	206,493	0	0	206,493

(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>
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
1998	363,317	0	0	363,317
1997	358,922	0	0	358,922
1996	349,402	0	0	349,402

(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

WOOD COUNTY POPULATION IN INCORPORATED AREAS

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

(1990 census and 2000 census)

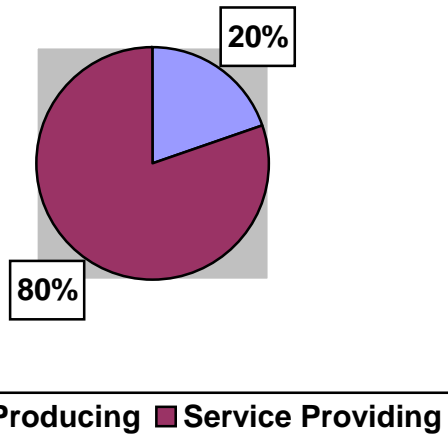
	<u>1990</u>	<u>2000</u>
Bairdstown	130	130
Bloomdale	632	724
Bowling Green	28,176	29,636
Bradner	1,093	1,171
Custar	209	208
Cygnets	560	564
Fostoria*	659	842
Grand Rapids	955	1,002
Haskins	549	638
Hoytville	301	296
Jerry City	517	453
Luckey	848	998
Millbury	1,081	1,161
Milton Center	200	195
North Baltimore	3,139	3,361
Northwood	5,506	5,471
Pemberville	1,279	1,365
Perrysburg	12,551	16,945
Portage	469	428
Risingsun	659	620
Rosford	5,861	6,406
Tontogany	364	364
Walbridge	2,736	2,546
Wayne	803	842
West Millgrove	171	78
Weston	<u>1,716</u>	<u>1,679</u>
	73,154	80,123
Population in unincorporated areas	42,105	42,942
Total County population	113,269	121,065

*only that portion of Fostoria in Wood County

Source: U.S. Census Bureau

NONAGRICULTURAL EMPLOYMENT
 Toledo Primary Metropolitan Statistical Area
 (includes Wood County)
 At December 31, 2005

	<u>Employment</u>
Goods-Producing Industries	66,400
Natural Resources, Mining and Construction	15,200
Manufacturing	51,200
Durable Goods	37,300
Transportation Equipment	5,600
Nondurable Goods	14,700
Service-Providing Industries	268,300
Trade, Transportation and Utilities	66,200
Information	3,900
Financial Activities	13,500
Professional and Business Services	35,100
Educational and Health Services	50,900
Leisure and Hospitality	31,800
Other Services	15,000
Government	51,900



Source: Ohio Bureau of Employment Services, Labor Market Review

The ten largest employers in Wood County
At December 31, 2005

<u>Employer</u>	<u>Number of Employees</u>
1. Bowling Green State University	5,361
2. DaimlerChrysler	1,647
3. Owens Community College	1,525
4. Wood County	1,221
5. Cooper Standard Automotive	1,049
6. Rudolph-Libbe Companies	900
7. Norplas Industries	700
8. NFO Market Research	625
9. OI	550
10. Great Lakes Window	500

Source: Wood County Economic Development Commission

EMPLOYMENT STATISTICS
WOOD COUNTY
 At December 31

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

<u>Year</u>	<u>United States</u>	<u>State of Ohio</u>	<u>County</u>
2001	4.7	4.4	3.8
2002	5.8	5.7	4.8
2003	6.0	6.1	5.4
2004	5.4	5.9	5.3
2005	4.9	5.5	5.3

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

Labor Force Statistics - Wood County

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2001	69,500	66,900	2,600	3.8
2002	68,700	65,400	3,300	4.8
2003	68,000	64,400	3,600	5.3
2004	65,600	62,100	3,500	5.3
2005	66,000	62,100	3,900	5.3

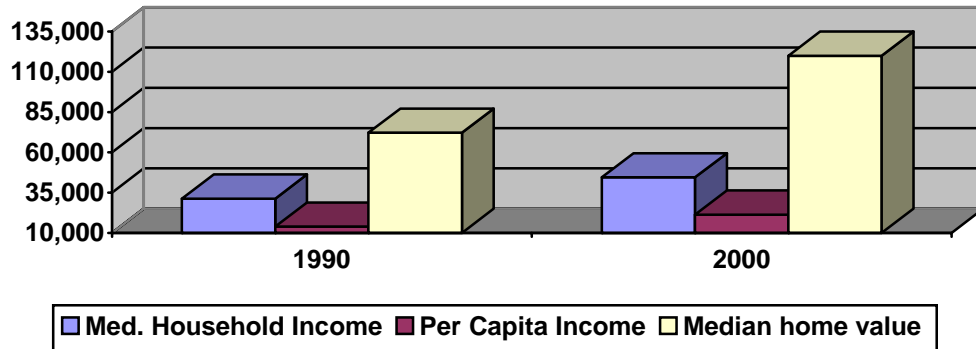
Source: Ohio Bureau of Employment Services
 Figures are not seasonally adjusted

Income and Housing Data

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

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

Wood County



Source: U.S. Census Bureau

BANKING
At December 31

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

<u>Year</u>	<u>Number of Banks</u>	<u>Deposits</u>
2001	2	137,413,000
2002	2	144,046,000
2003	2	135,302,000
2004	1	90,852,000
2005	1	68,628,000

Source: Federal Reserve Bank of Cleveland



**NORTHWESTERN WATER AND SEWER DISTRICT
DEMOGRAPHICS STATISTICS
DECEMBER 31, 2005**

WATER SYSTEM

Miles of Potable Water Main	287.5
Total Water Connections	9,799
Number of Potable Water Valves	2,674

SEWER SYSTEM

Miles of Sewer Lines	224.0
Total Sewer Connections	11,313
Number of Pump Stations	39
Number of Treatment Plants	2

GENERAL INFORMATION

Population Served (Estimated)	30,000
Number of Fire Hydrants	2,675
Number of Employees	36
Number of WaterShed Locations	2

Source: Northwestern Water and Sewer District

GILMORE, JASION & MAHLER, LTD

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

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

We have audited the financial statements of Northwestern Water & Sewer District (the 'District') as of and for the year ended December 31, 2005, and have issued our report thereon, dated April 05, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Compliance and Other Matters

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

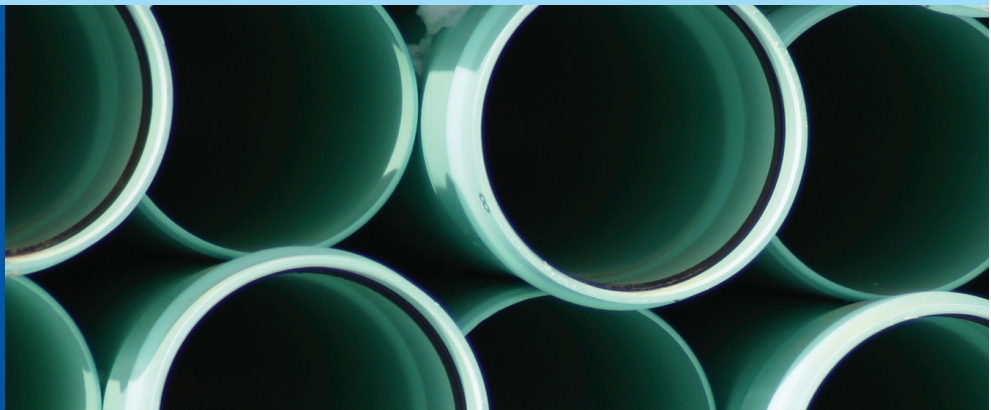
This report is intended solely for the information and use of the audit committee, Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

April 05, 2006



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Betty Montgomery**

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NORTHWESTERN WATER AND SEWER DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2006**