

NORTHWESTERN WATER AND
SEWER DISTRICT
Bowling Green, Ohio

REPORTS ISSUED PURSUANT TO
THE OMB CIRCULAR A-133
December 31, 2011



Dave Yost • Auditor of State

Board of Trustees
Northwestern Water and Sewer District
P.O. Box 348
Bowling Green, Ohio 43402

We have reviewed the *Independent Auditor's Report* of the Northwestern Water and Sewer District, Wood County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 31, 2012

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

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

We have audited the financial statements of Northwestern Water and Sewer District (the District) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

The Board of Trustees
Northwestern Water and Sewer District

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated June 29, 2012.

This report is intended solely for the information and use of District management, Board of Trustees, others within the entity 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.

CliftonLarsonAllen LLP

Toledo, Ohio
June 29, 2012



**Independent Auditor's Report on Compliance with Requirements that
Could Have A Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Northwestern Water and Sewer District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northwestern Water and Sewer District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Item 2011-1.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2011-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Board of Trustees
Northwestern Water and Sewer District

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the District as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, 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.

CliftonLarsonAllen LLP

Toledo, Ohio
June 29, 2012

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
U. S. Department of Agriculture			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities ARRA:			
2010 expenditures	10.781	WW-OH-FIN-92-15	\$ 1,194,144
2011 expenditures	10.781	WW-OH-FIN-92-15	750,856
2011 expenditures	10.781	OH-WW-FIN-00-16	<u>2,246,618</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,191,618</u>

This schedule should be read only in connection with
the accompanying notes to the schedule.

**NORTHWESTERN WATER AND SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011**

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Northwestern Water and Sewer District (the District) under programs financed by the U.S. Government for the year ended December 31, 2011.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES GRANT

The 2010 expenditures for the Water and Waste Disposal Systems for Rural Communities Grant were erroneously omitted from the 2010 schedule of expenditures of federal awards (schedule). The 2010 expenditures, amounting to \$1,194,144, have been included in the 2011 schedule and the funds have been tested as a major program in connection with the 2011 audit.

This information is an integral part of the accompanying schedule.

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X none reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes none reported
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes none reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.781	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

None.

**NORTHWESTERN WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section III – Federal Award Findings and Questioned Costs

Reference 2011-1 – Schedule of Expenditures of Federal Awards

All Federal Grants

Criteria

The Schedule of Expenditures of Federal Awards (SEFA) should accurately capture current year expenditures for all federal grants and awards.

Condition

The schedule of expenditures of federal awards was not completed by the District and therefore, did not accurately state program expenditures for the Water and Waste Disposal Systems for Rural Communities Program (CFDA 10.781) in 2011 and 2010 which lead to auditing the federal expenditures for both fiscal years.

Questioned Costs

None

Effect

An accurate schedule of expenditures of federal awards is essential for ensuring the District's compliance with federal grant requirements. In addition, the determination of major programs to be audited in the annual OMB Circular A-133 audit could be adversely effected and lead to the erroneous inclusion or exclusion of a major program.

Recommendation

We recommend that District management implement preparation and review procedures to ensure the accuracy and completeness of the schedule of expenditures of federal awards. Procedures should include communication and training if necessary to the different departments to ensure proper reporting of federal expenditures. In addition, management should establish general ledger accounts to separately classify federal and non-federal matching dollars when applicable.

Authority's Response

The District has implemented procedures to ensure accuracy and completeness of the schedule of expenditure of federal awards.

**NORTHWESTERN WATER AND SEWER DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS**

None.



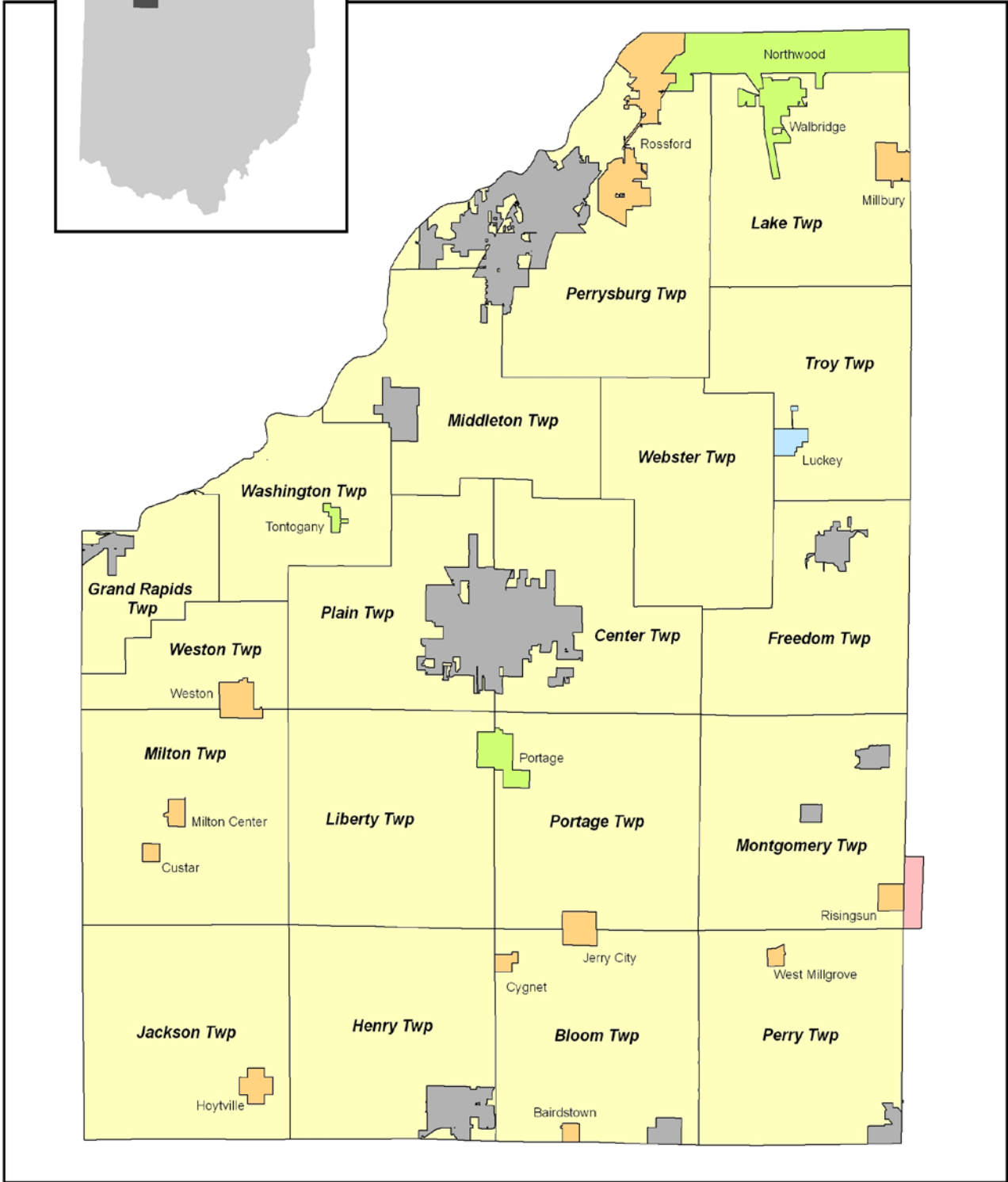
Comprehensive Annual Financial Report
For the year ended December 31, 2011

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

Prepared by Dave E. Cook

Northwestern Water & Sewer District Members

- Township member
- Municipal member
- Member by special resolution
- Non-member, but District owns system
- Non-member with District contract
- Non-member/no service



**NORTHWESTERN WATER & SEWER DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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June 29, 2012

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, 2011, is hereby submitted. This report follows guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). This report consists of management's representations concerning finances of the District. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management.

To provide a reasonable basis for making these representations, management of the District has established an internal control framework that is designed both to protect District assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the



District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects, to the best of our knowledge and belief. All disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

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

As part of the District's audit, described earlier, tests were made by the District's external auditors of its internal control structure and compliance with applicable laws and regulations. Although this testing is not sufficient to support a separate opinion on the District's internal control system or its overall compliance with laws, the audit for the year ended December 31, 2011 disclosed no or material violations of laws and regulations.

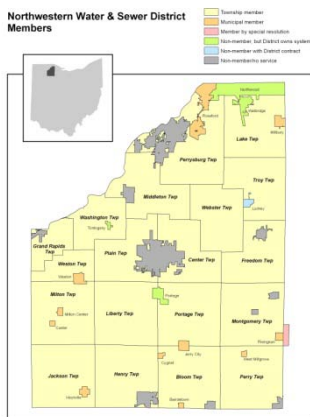
GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to compliment MD&A and should be read in conjunction with it. The District's 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 11 municipalities and 20 townships.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Wood County is centrally located in the Toledo Trade Area, and is classified as belonging to the Toledo Metropolitan Statistical Area (MSA). The 2011 population of the MSA is estimated to be approximately 650,266, of which the County accounted for approximately 125,500 in 2011. 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.

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 2010-11 school year, the university had 20,000 students, 900 full-time faculty as well as 1,545 full and part-time administrative and classified staff. In addition to Bowling Green State University, Wood County is home to Owens Community College. For 2011 Owens had a student enrollment of approximately 19,000 in over 130 program areas by a full time faculty of 210. Students, faculty and staff members of both higher education facilities contribute heavily to the economy of Wood County.

Long-Term Financial Planning

In 2009, the District established a strategic architecture that identified a mission statement, three key business drivers and action plans for each of the three business drivers. The action plans became the basis for establishing the 2011 budget. This process will continue in 2012 with results measured and compared to the plan. The main focus of the plan will be on how to continue to grow the District while not providing an undue financial burden on our customers.

The District has been informed by three of its wastewater treatment suppliers that the District will need to address inflow and infiltration of ground water into its sewers. To accomplish this could require the District to construct several large retention facilities that could cost \$4 million to \$7 million each.

At year-end, the District had debt outstanding of \$45,240,972. Outstanding bonds of the District are rated Aa3 by Moody's and AA- by Standard & Poor's rating agencies. The District has a MIG-1 rating from Moody's on short-term borrowing. Notes 4 and 5 to the audited financial statements include schedules of debt outstanding and future debt service requirements.

DISTRICT MAJOR INITIATIVES

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwestern Water and Sewer District for its Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2010. This was the eighth 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.

West Millgrove Sewer System

Construction of a sewer collection system for the Village of West Millgrove will begin in 2012 and will be finished in 2013 and will cost an estimated \$2.3 million. This system will convert approximately 115 homes and other facilities from septic tanks to a central collection and treatment system.

Southwood Commerce Center



The District is providing water and sewer service to an area in southern Wood County adjacent to the CSX intermodal site that will facilitate the creation of job opportunities in the future. This project is being funded in part by the Ohio Job Ready Site program from the Ohio Department of Development.

Custar/Milton Center Water Line

The District will begin construction of a water line that will benefit the Villages of Custar and Milton Center in 2012. The water line will bring potable water to these villages for the benefit of over 200 homes.

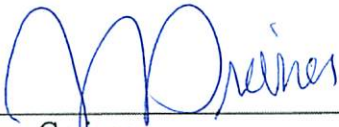
INDEPENDENT AUDIT

Included in this report is an unqualified opinion rendered on the District's financial statements for the year ended December 31, 2011, by CliftonLarsonAllen LLP., 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, 2010

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.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

DISTRICT OFFICIALS

DECEMBER 31, 2011

Board of Trustees

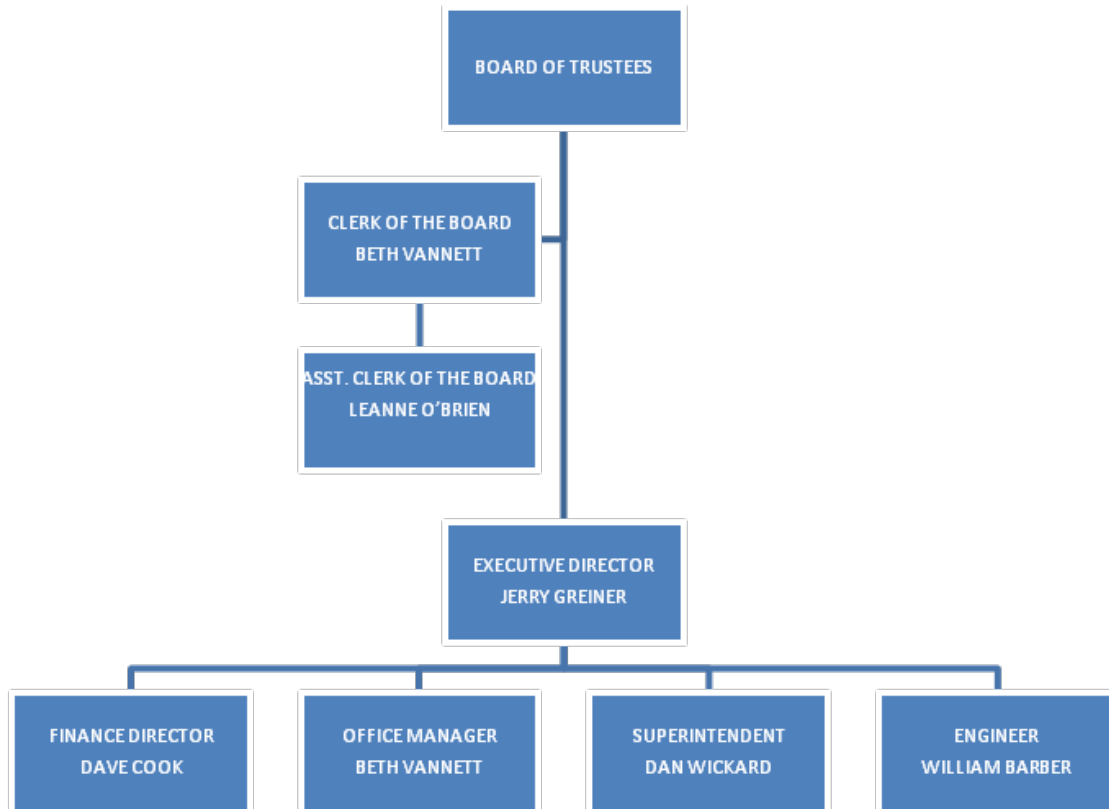
<u>Office</u>	<u>Name</u>	<u>Date Originally Installed</u>	<u>Term Expires</u>
President	Lyle Schulte	1/01/99	12/31/16
Vice President	Adam Siebert	9/04/08	12/31/12
Secretary/Treasurer	John Current	7/21/92	12/31/14
Member	John Ault	7/21/92	12/31/12
Member	William Hirzel	1/10/08	12/31/14
Member	Melinda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

Senior Staff

Jerry R. Greiner
William J. Barber
Dave E. Cook
Dan E. Wickard
Beth A. Vannett

Executive Director
Engineer
Finance Director
Superintendent
Office Manager & Board Clerk

**ORGANIZATIONAL CHART
NORTHWESTERN WATER AND SEWER DISTRICT
DECEMBER 31, 2011**



Number of Employees by Department

Administration	2
Engineering	12
Operations	30
Finance	3
Office	11
Total Employees December 31, 2011	58



Independent Auditor's Report

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

We have audited the accompanying statements of net assets of the Northwestern Water & Sewer District (the "District") as of December 31, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of Northwestern Water & Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Board of Trustees
Northwestern Water & Sewer District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages F3 through F8 and F38 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of Net Assets Information by Division; supplemental schedule of Revenues, Expenses and Changes in Net Assets Information by Division; supplemental schedule of Cash Flows Information by Division listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Toledo, Ohio
June 29, 2012

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, 2011. 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 \$107,386,437 as of December 31, 2011.
- Net assets increased by \$8,655,063 in 2011.
- Of the increase in net assets, an increase of \$6,977,331 was attributable to investment in capital assets, net of related debt. The remaining change of a net increase of \$1,677,732 was attributable to \$279,627 decrease in restricted net assets and \$1,957,359 increase in unrestricted assets.
- Debt increased \$2,452,109. Retirements of debt principal were \$3,861,371 and new issues of debt principal were \$6,313,480.

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, \$88.5 million (82%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Certain amounts may vary slightly due to differences caused by rounding to thousands.

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Condensed Statements of Net Assets

December 31,
(In Thousands of Dollars)

	2011	2010	2009	Change			
				2011/2010		2010/2009	
				Amt	%	Amt	%
<u>Assets</u>							
Current assets	\$ 16,266	\$ 15,179	\$ 20,297	\$ 1,087	7.2%	\$ 5,118	(25.2)%
Capital assets, net	128,809	119,096	110,544	9,713	8.2	8,552	7.7
Other non-current assets	11,685	10,899	10,966	786	.7	67	(.6)
Total Assets	156,760	145,174	141,807	11,586	8.0	3,367	2.4
<u>Liabilities</u>							
Current liabilities	8,633	7,024	14,866	1,557	22.2	(7,842)	(52.7)
Long-term liabilities	40,740	39,419	34,150	1,373	3.5	5,269	15.4
Total Liabilities	49,373	46,443	49,016	2,930	6.3	(2,573)	(5.2)
<u>Net assets</u>							
Invested in capital assets	88,455	81,477	73,573	6,978	8.6	7,904	10.7
Restricted	4,853	5,133	9,145	(280)	(5.5)	(4,012)	(43.9)
Unrestricted	14,079	12,121	10,073	1,958	16.2	2,048	20.3
Total net assets	\$ 107,387	\$ 98,731	\$ 92,791	\$ 8,656	8.8%	\$ 5,940	6.4%

Net assets increased by \$8,656,000 during 2011 and by \$5,940,000 during 2010. The majority of this change was due to capital assets increased by \$14,341,961 offset by related depreciation increase of \$4,629,513 in 2010 and \$12,489,378 offset by related depreciation increased by \$3,937,275 in 2010 due mainly to construction of water and sewer lines.

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

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

	2011	2010	2009	Change		2010/2009 Amt	2010/2009 %
				2011/2010 Amt	2011/2010 %		
Utility Revenue	\$ 13,008	\$ 9,325	\$ 8,503	\$ 3,683	39.5%	\$ 822	9.7%
Fees and Permit	216	203	177	13	6.4	26	14.7
Contract Services	224	237	274	(13)	(5.5)	(37)	(13.5)
Other	359	269	243	90	33.5	26	10.7
Non-Operating Revenue	713	692	755	21	3.0	(63)	(8.3)
Total Revenues	14,520	10,726	9,952	3,794	35.4	774	7.8
Depreciation & Amortization	4,685	4,297	4,048	388	9.0	249	6.1
Other Operating Expense	8,864	6,210	6,230	2,654	42.7	(20)	(.3)
Non-Operating Expense	2,057	1,905	1,919	152	(.8)	(14)	(.7)
Total Expenses	15,606	12,412	12,197	3,194	25.7	215	1.8
Operating Gain (Loss)	(1,086)	(1,686)	(2,245)	600	36.7	559	24.9
Aid in construction	9,741	7,626	2,420	2,115	27.7	5,206	215.1
Changes in net assets	\$ 8,655	\$ 5,940	\$ 175	\$ 2,715	45.7%	\$ 5,765	3,294.3%

Utility revenues increased in 2011 due to the City of Rossford and the Village of Cygnet joining the District and bringing 2,600 new customers and the District entering into a bulk water purchase agreement with the City of Toledo and in 2010 due to a combination of increased customer base and an increase in rates.

Other Operating Expense increased in 2011 due to the start of the District purchasing water from the City of Toledo and increased staffing related to the District taking on the responsibility for billing an additional 6,800 customers previously billed by the City of Toledo.

NORTHWESTERN WATER & SEWER DISTRICT

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

Capital Assets

At the end of 2011, the District had \$128,808,900 invested in capital assets net of depreciation. This amount represents a net increase of approximately \$9.7 million, or 8.2% over 2010.

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

	2011	2010	2009	Change		2010/2009 Amt	2010/2009 %
				2011/2010 Amt	2011/2010 %		
Land and Easements	\$ 690	\$ 435	\$ 431	\$ 255	58.6%	\$ 4	.9%
Construction In Progress	10,704	12,262	8,057	(1,558)	(12.7)	4,205	52.2
Water and Sewer Lines	95,563	88,305	87,153	7,258	8.2	1,152	1.3
Buildings, Structures and Improvements	18,947	15,371	12,086	3,576	23.3	3,285	27.2
Equipment	2,905	2,723	2,817	182	6.7	(94)	(3.3)
Totals	\$ 128,809	\$ 119,096	\$ 110,544	\$ 9,713	8.2%	\$ 8,552	7.7%

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

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

NORTHWESTERN WATER & SEWER DISTRICT

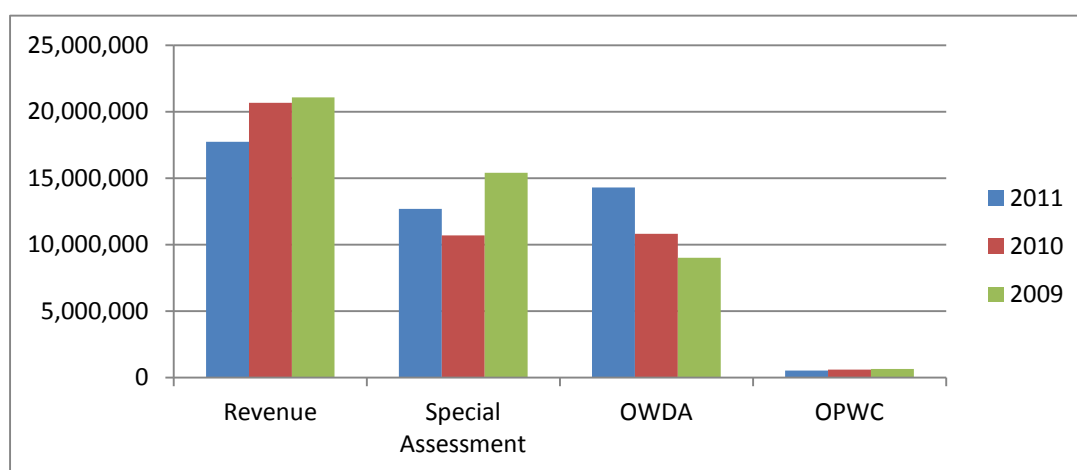
Management's Discussion and Analysis (Unaudited)

Debt Administration

At December 31, 2011 the District had total debt outstanding of \$45,240,972 compared to \$42,788,863 at December 31, 2010. This represents an increase of \$2,452,109. During 2011 the District issued \$6,313,480 of new debt and repaid \$3,861,371 in principal on outstanding debt. At December 31, 2010 the District had total debt outstanding of \$42,788,863 compared to \$46,156,888 at December 31, 2009. This represents a decrease of \$3,368,025. During 2010 the District issued \$8,904,692 of new debt and repaid \$12,272,717 in principal on outstanding debt. The District has ratings on its long-term debt of Aa3 from Moody's Investor Service and AA- from Standard and Poor's. This information should be read in conjunction with Notes 4 and 5 to the audited financial statements for more detailed information on long-term debt.

Outstanding Debt at December 31, (In Thousands)

	2011	2010	2009
Revenue Bonds and Notes	\$ 17,724,197	\$ 20,668,738	\$ 21,075,694
Special Assessment Bonds and Notes	12,683,960	10,703,978	15,413,080
Ohio Water Development Authority	14,274,364	10,804,683	9,003,513
Ohio Public Works Commission	536,451	611,464	664,601
	<u>\$ 45,218,972</u>	<u>\$ 42,788,863</u>	<u>\$ 46,156,888</u>



Type of Debt By Year

NORTHWESTERN WATER & SEWER DISTRICT

Management's Discussion and Analysis (Unaudited)

Economic Factors

Based on the District's 2011 budget, sewer rates were increased 3.6% for a customer using 1,000 cubic feet. Water rates were increased by 4.3%, effective January 1, 2011 for a customer using 1,000 cubic feet of water. The increases in both sewer and water rates is due to the Board of Trustees implementing the policy of including depreciation in rates on a prorate basis over 15 years. The Board has directed that rates be reviewed on an annual basis with a full study being conducted every three years. The District is subject to the general economic slowdown in housing construction seen across the country.

In 2012, the District expects new residential construction to continue to be down substantially from previous years due to the continued down turn in the economy. The District is holding preliminary discussions with a local village about joining the District which could add 300 additional customers.

Contacting the District's Financial Management

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

**NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010**

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents – unrestricted (Note 2)	\$ 1,829,959	\$ 2,111,854
Cash and cash equivalents – restricted (Note 2)	3,545,404	3,792,101
Investments – unrestricted (Note 2)	3,592,511	3,561,186
Investments – restricted (Note 2)	1,502,018	1,504,138
Accounts receivable – trade	3,583,428	2,705,846
Current portion of special assessments	820,212	910,636
Inventory	1,296,616	535,452
Prepaid expenses	<u>96,022</u>	<u>57,471</u>
Total current assets	<u>16,266,170</u>	<u>15,178,684</u>
NONCURRENT ASSETS		
Capital assets (Note 3):		
Sewer and water lines	158,634,709	148,230,965
Buildings, pumps and lift stations	21,638,708	17,548,843
Machinery and equipment	4,733,582	4,378,351
Vehicles	1,901,747	1,633,957
Furniture and fixtures	281,629	251,536
Computer equipment	883,979	737,734
Improvements – Oregon waste water treatment plant	<u>5,927,947</u>	<u>5,574,763</u>
Total depreciable capital assets	194,002,301	178,356,149
Accumulated depreciation and amortization	<u>(76,586,703)</u>	<u>(71,957,190)</u>
Net depreciable capital assets	117,415,598	106,398,959
Land	672,030	431,162
Easements	17,485	4,584
Construction in progress	<u>10,703,787</u>	<u>12,261,747</u>
Net capital assets	<u>128,808,900</u>	<u>119,096,452</u>
OTHER ASSETS		
Special assessments, less current portion	10,895,151	10,078,730
Reserve with county commissioners (Note 6)	258,351	258,351
Deferred loan costs, net of accumulated amortization of \$58,376 and \$54,995 in 2011 and 2010, respectively	33,537	36,918
Miscellaneous	<u>497,755</u>	<u>524,765</u>
Total other assets	<u>11,684,794</u>	<u>10,898,764</u>
Total noncurrent assets	<u>140,493,694</u>	<u>129,995,216</u>
TOTAL ASSETS	<u>\$ 156,759,864</u>	<u>\$ 145,173,900</u>

LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Current portion of long-term debt (Note 4 and 5)	\$ 4,827,268	\$ 3,673,278
Accounts payable – trade	1,973,808	1,948,379
Accrued payroll and payroll taxes	227,277	213,998
Accrued interest payable	586,412	502,721
Accounts due others	<u>1,018,892</u>	<u>685,394</u>
Total current liabilities	<u>8,633,657</u>	<u>7,023,770</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion (Note 4 and 5)	40,413,704	39,115,585
Compensated absences payable (Note 8)	<u>326,066</u>	<u>303,171</u>
Total long-term liabilities	<u>40,739,770</u>	<u>39,418,756</u>
Total liabilities	<u>49,373,427</u>	<u>46,442,526</u>
NET ASSETS		
Invested in capital assets, net of related debt	88,454,817	81,477,486
Restricted for long-term debt	4,853,352	5,132,979
Unrestricted	<u>14,078,268</u>	<u>12,120,909</u>
TOTAL NET ASSETS	<u>\$ 107,386,437</u>	<u>\$ 98,731,374</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Utility revenue	\$ 13,007,797	\$ 9,325,099
Fees and permits	215,518	202,614
Contract services	223,678	236,861
Other	<u>359,398</u>	<u>268,751</u>
Total operating revenues	<u>13,806,391</u>	<u>10,033,325</u>
OPERATING EXPENSES		
Depreciation and amortization	4,685,042	4,297,472
Labor	2,292,227	2,018,976
Employee benefits	995,224	863,219
Professional services	604,040	522,141
Purchased water and sewer treatment	3,215,671	1,359,489
Materials and supplies	859,943	689,697
Utilities	486,621	373,648
Rent	3,109	2,222
Other	<u>407,560</u>	<u>380,751</u>
Total operating expenses	<u>13,549,437</u>	<u>10,507,615</u>
Operating gain (loss)	<u>256,954</u>	<u>(474,290)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	727,305	700,659
Interest expense	(2,056,816)	(1,904,581)
Other expense	<u>(14,055)</u>	<u>(7,888)</u>
Total nonoperating expenses	(1,343,566)	(1,211,810)
AID IN CONSTRUCTION	<u>9,741,675</u>	<u>7,626,278</u>
Change in net assets	8,655,063	5,940,178
NET ASSETS		
Beginning of year	<u>98,731,374</u>	<u>92,791,196</u>
End of year	<u>\$ 107,386,437</u>	<u>\$ 98,731,374</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATIONS		
Cash received from customers	\$ 12,928,809	\$ 10,323,030
Cash payments to suppliers for goods and services	(6,002,872)	(2,490,795)
Cash payments to employees for services	<u>(3,239,127)</u>	<u>(2,868,916)</u>
Net cash provided by operations	<u>3,686,810</u>	<u>4,963,319</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Aid in construction	9,741,675	7,626,278
Acquisition and construction of capital assets	(14,445,241)	(12,879,039)
Loss on disposal of capital assets	51,132	-
Proceeds from sale of capital assets	-	5,447
Proceeds from issuance of long-term debt	6,313,480	8,904,692
Repayment of long-term debt	(3,861,371)	(12,272,717)
Collections on special assessments	1,660,108	874,155
Assessed special assessments	(2,386,105)	(820,555)
Interest paid	<u>(1,987,180)</u>	<u>(2,181,052)</u>
Net cash used in capital and related financing activities	<u>(4,913,502)</u>	<u>(10,742,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	727,305	700,659
Proceeds on sale of investments	3,605,579	3,241,086
Purchases of investments	<u>(3,634,784)</u>	<u>(2,870,909)</u>
Net cash provided by investing activities	<u>698,100</u>	<u>1,070,836</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(528,592)	(4,708,636)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>5,903,955</u>	<u>10,612,591</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 5,375,363</u>	<u>\$ 5,903,955</u>
RESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,545,404</u>	<u>\$ 3,792,101</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 1,829,959</u>	<u>\$ 2,111,854</u>

**NORTHWESTERN WATER & SEWER DISTRICT
STATEMENTS OF CASH FLOWS, CONTINUED
Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATIONS		
Operating gain (loss)	\$ 256,954	\$ (474,290)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	4,685,042	4,297,472
Changes in operating assets and liabilities that increase (decrease) cash flows:		
Accounts receivable – trade	(877,582)	199,085
Grant receivable	-	90,620
Inventory	(761,164)	(76,155)
Prepaid and other assets	(11,541)	483,737
Accounts payable – trade	25,429	316,143
Accrued payroll and payroll taxes	13,279	19,895
Accounts due others	333,498	78,352
Compensated absences payable	<u>22,895</u>	<u>28,460</u>
 Total adjustments	 <u>3,429,856</u>	 <u>5,437,609</u>
 Net cash provided by operations	 <u>\$ 3,686,810</u>	 <u>\$ 4,963,319</u>

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 City of Rossford joined the District effective January 1, 2011. This added over 2,300 customers and approximately 34 miles of water lines and 36 miles of sewer lines to the District's system. As part of the agreement, the District has agreed to assume responsibility for all outstanding debt on the Rossford system. As of December 31, 2011, the District was unable to assume all outstanding debt from the City of Rossford due to the debt including more than water and sewer debt, which the District became responsible when Rossford joined the District. In April 2012, the City of Rossford refinanced their debt and the District assumed their portion of the debt which equaled \$3,870,000.

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

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

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

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

Measurement Focus

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

Use of Estimates

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

Budgetary Process

The District is required by law to budget its funds, through adoption of an operating budget by March 31 of each year for the following fiscal year. The operating budget includes estimates for total revenues, total expenses, and debt service requirements for the fiscal year. The District prepares its operating budget on the accrual basis of accounting, the same basis on which its financial statements are prepared.

Cash and Cash Equivalents

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

Accounts Receivable - Trade

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Loan Costs

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

Special Assessments Receivable

Special assessments receivable include amounts due from property owners that benefited from projects constructed by the District. The District receives proceeds from the property owners through assessments collected by the County over a 20-year period. Special assessments are recorded when assessed and amortized over the 20-year period based on collections.

Inventory

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

Capital Assets

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

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

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

Construction in process includes all of the Districts costs to develop capital asset projects. The projects are funded through Board restriction of assets and construction loans. Interest expense incurred throughout the construction phase of a project is capitalized as part of the cost of the asset under construction to the extent it exceeds interest income on the related invested debt proceeds. The District had no capitalized interest for the years ended December 31, 2011 and 2010.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Compensated Absences

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

Revenues and Expenses

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

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

Aid in Construction

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

Net Assets

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

The District's Board of Trustees has designated unrestricted net assets of \$2,891,000 and \$2,442,000 as of December 31, 2011 and 2010, respectively for capital and operating expenditures, and debt service. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

User Rates and Expenses

The District's sewer and water utility rates are determined in conjunction with periodic rate studies performed by independent third parties. Non-direct expenses are generally allocated based upon management's estimate of costs applicable to the respective divisions. Non-direct expenses were allocated to the sewer and water divisions, 54% and 46% in 2011 and 52% and 48% in 2010, respectively.

Reclassification

Certain reclassifications of the 2010 amounts have been made to conform with the 2011 presentation.

NOTE 2 - CASH AND INVESTMENTS

Deposits

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

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

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

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

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

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures* – an amendment of GASB Statement No. 3. The carrying value of the Districts deposits was \$2,024,029 and \$2,275,114 at December 31, 2011 and 2010, respectively. At December 31, 2011, the bank balance of \$2,411,138 was covered by federal depository insurance and \$2,161,138 was covered by collateral held by the pledging financial institution, but not in the name of the District. At December 31, 2010, the bank balance of \$2,656,269 was covered by federal depository insurance and \$2,406,269 was covered by collateral held by the pledging financial institution, but not in the name of the District.

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

Concentration of Credit Risk – The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. In 2011 and 2010, the District's investment in Federal Home Loan Bank Notes represents 15% and 2% of the District's total investments, respectively. The District's investment in Federal National Mortgage Association Notes represents 20% and 10% of the District's total investments in 2011 and 2010, respectively.

As of December 31, 2011, the District has not established a formal policy relating to interest rate risk.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

The District's investments and cash equivalents consist of the following:

<u>Investment</u>	2011		2010 Fair value
	<u>Fair value</u>	<u>Maturity (less than 1 year)</u>	
U.S. Treasuries and Federal Agency obligations	\$ 5,078,589	\$ 1,452,860	\$ 5,063,585
Money market mutual funds	1,281,944	1,281,944	1,267,743
STAR Ohio	<u>2,085,330</u>	<u>2,085,330</u>	<u>2,362,837</u>
Total investments, including restricted	<u>\$ 8,445,863</u>	<u>\$ 4,820,134</u>	<u>\$ 8,694,165</u>

Investments held by the District at December 31, 2011 and 2010 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No deposits were subject to custodial credit risk.

<u>Investment type</u>	2011				
	<u>Fair value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AAA and BBB</u>	<u>Below BBB</u>
U.S. Agency bonds	\$ 5,078,589	\$ -	\$ 5,078,589	\$ -	\$ -
Money Market Mutual Funds	1,281,944	1,281,944	-	-	-
Star Treasury Reserve of Ohio (STAROhio)	<u>2,085,330</u>	<u>-</u>	<u>2,085,330</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,445,863</u>	<u>\$ 1,281,944</u>	<u>\$ 7,163,919</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investment type</u>	2010				
	<u>Fair value</u>	<u>Not rated</u>	<u>AAA</u>	<u>AAA and BBB</u>	<u>Below BBB</u>
U.S. Agency bonds	\$ 5,063,585	\$ -	\$ 5,063,585	\$ -	\$ -
Money Market Mutual Funds	1,267,743	1,267,743	-	-	-
Star Treasury Reserve of Ohio (STAROhio)	<u>2,362,837</u>	<u>-</u>	<u>2,362,837</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 8,694,165</u>	<u>\$ 1,267,743</u>	<u>\$ 7,426,422</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits, Continued

Classification in the statement of net assets:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents:		
Current	\$ 1,829,959	\$ 2,111,854
Restricted for debt retirement	<u>3,545,404</u>	<u>3,792,101</u>
Total	<u>\$ 5,375,363</u>	<u>\$ 5,903,955</u>
Investments:		
Current	\$ 3,592,511	\$ 3,561,186
Restricted for debt retirement	<u>1,502,018</u>	<u>1,504,138</u>
Total	<u>\$ 5,094,529</u>	<u>\$ 5,065,324</u>

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2011 is as follows:

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at December 31, 2011</u>
Non-depreciable:					
Land	\$ 431,162	\$ 92,086	\$ -	\$ 148,782	\$ 672,030
Easements	4,584	12,901	-	-	17,485
Construction in progress	<u>12,261,747</u>	<u>7,436,405</u>	<u>(84,033)</u>	<u>(8,910,332)</u>	<u>10,703,787</u>
Total non- depreciable	<u>12,697,493</u>	<u>7,541,392</u>	<u>(84,033)</u>	<u>(8,761,550)</u>	<u>11,393,302</u>
Depreciable:					
Sewer and water lines	148,230,965	5,594,444	-	4,809,300	158,634,709
Buildings, pumps and lift station	17,548,843	173,542	-	3,916,323	21,638,708
Machinery and equipment	4,378,351	319,304	-	35,927	4,733,582
Vehicles	1,633,957	267,790	-	-	1,901,747
Furniture and fixtures	251,536	30,093	-	-	281,629
Computer equipment	737,734	165,492	(19,247)	-	883,979
Improvements – Oregon waste water treatment plant	<u>5,574,763</u>	<u>353,184</u>	<u>-</u>	<u>-</u>	<u>5,927,947</u>
Total depreciable	<u>178,356,149</u>	<u>6,903,849</u>	<u>(19,247)</u>	<u>8,761,550</u>	<u>194,002,301</u>
Totals at historical cost	<u>191,053,642</u>	<u>14,445,241</u>	<u>(103,280)</u>	<u>-</u>	<u>205,395,603</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Balance at December 31, 2010	Additions	Retirements	Transfers	Balance at December 31, 2011
Accumulated depreciation:					
Sewer an water lines	\$ 59,929,477	\$ 3,145,125	\$ -	\$ -	\$ 63,074,602
Buildings, pumps and lift station	5,868,288	710,798	-	-	6,579,086
Machinery and equipment	2,535,345	268,725	-	-	2,804,070
Vehicles	1,130,004	176,678	-	-	1,306,982
Furniture and fixtures	178,038	24,440	-	-	202,748
Computer equipment	435,284	167,553	(19,248)	-	583,389
Improvements – Oregon waste water treatment plant	<u>1,880,754</u>	<u>155,442</u>	<u>-</u>	<u>-</u>	<u>2,036,196</u>
Total accumulated depreciation	<u>71,957,190</u>	<u>4,648,761</u>	<u>(19,248)</u>	<u>-</u>	<u>76,586,703</u>
Capital assets, net	<u>\$ 119,096,452</u>	<u>\$ 9,796,480</u>	<u>\$ (84,037)</u>	<u>\$ -</u>	<u>\$ 128,808,900</u>
Depreciation expense charged to operating expense		\$ 4,648,761			
Amortization of loan costs		<u>36,281</u>			
Total depreciation and amortization		<u>\$ 4,685,042</u>			

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

	Balance at December 31, 2009	Additions	Retirements	Transfers	Balance at December 31, 2010
Non-depreciable:					
Land	\$ 431,162	\$ -	\$ -	\$ -	\$ 431,162
Easements	-	4,584	-	-	4,584
Construction in progress	<u>8,057,104</u>	<u>11,126,642</u>	<u>(27,939)</u>	<u>(6,894,060)</u>	<u>12,261,747</u>
Total non- depreciable	<u>8,488,266</u>	<u>11,131,226</u>	<u>(27,939)</u>	<u>(6,894,060)</u>	<u>12,697,493</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	Balance at December 31, 2009	Additions	Retirements	Transfers	Balance at December 31, 2010
Depreciable:					
Sewer and water lines	\$ 144,133,278	\$ 1,454,686	\$ (89,339)	\$ 2,732,340	\$ 148,230,965
Buildings, pumps and lift station	13,605,255	21,597	-	3,921,991	17,548,843
Machinery and equipment	3,937,217	201,405	-	239,729	4,378,351
Vehicles	1,656,557	-	(22,600)	-	1,633,957
Furniture and fixtures	250,404	1,132	-	-	251,536
Computer equipment	918,524	68,993	(249,783)	-	737,734
Improvements – Oregon waste water treatment plant	<u>5,574,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,574,763</u>
Total depreciable	<u>170,075,998</u>	<u>1,747,813</u>	<u>(361,722)</u>	<u>6,894,060</u>	<u>178,356,149</u>
Totals at historical cost	<u>178,564,264</u>	<u>12,879,039</u>	<u>(389,661)</u>	<u>-</u>	<u>191,053,642</u>
Accumulated depreciation:					
Sewer an water lines	\$ 56,980,571	\$ 2,974,769	\$ (25,863)	\$ -	\$ 59,929,477
Buildings, pumps and lift station	5,365,704	502,584	-	-	5,868,288
Machinery and equipment	2,303,041	232,304	-	-	2,535,345
Vehicles	964,512	188,092	(22,600)	-	1,130,004
Furniture and fixtures	156,131	21,907	-	-	178,038
Computer equipment	521,702	163,023	(249,441)	-	435,284
Improvements – Oregon waste water treatment plant	<u>1,728,254</u>	<u>152,500</u>	<u>-</u>	<u>-</u>	<u>1,880,754</u>
Total accumulated depreciation	<u>68,019,915</u>	<u>4,235,179</u>	<u>(297,904)</u>	<u>-</u>	<u>71,957,190</u>
Capital assets, net	<u>\$ 110,544,349</u>	<u>\$ 8,643,860</u>	<u>\$ (91,757)</u>	<u>\$ -</u>	<u>\$ 119,096,452</u>
Depreciation expense charged to operating expense		\$ 4,235,179			
Amortization of loan costs		<u>62,293</u>			
Total depreciation and amortization		<u>\$ 4,297,472</u>			

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 4 - DEBT

The District has twenty 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, 2011 and 2010:

<u>Project Number</u>	<u>Date of loan</u>	<u>Original amount</u>	<u>Interest rate</u>	<u>Final payment date</u>	<u>2011 amount outstanding</u>	<u>2010 amount outstanding</u>
SS #140	09/29/94	\$ 1,065,000	4.18%	07/01/14	\$ 220,870	\$ 288,604
WL #234	07/27/95	5,496,313	6.36	01/01/16	1,876,478	2,228,067
WL #167 – 183	05/24/99	3,503,947	5.56	07/01/20	2,049,353	2,220,720
SS #904 & WL #904	08/31/00	1,660,596	3.0 – 6.39	01/01/21	981,898	1,055,107
WL #300	10/28/04	90,500	4.10	01/01/25	68,675	72,418
WL #318	09/31/04	338,000	4.56	07/01/24	252,318	266,274
SS #1000	11/04/04	168,224	4.56	07/01/24	126,019	132,990
Weston 2918	02/25/93	943,552	2.00	01/01/19	333,421	374,265
Weston 3587	09/26/01	560,079	1.50	07/01/23	355,900	382,777
Weston 4046	02/26/04	420,316	1.50	07/01/25	307,129	326,705
Williamsburg 5097	4/30/09	650,829	3.70	07/01/29	412,816	426,120
Northwood 2069	12/11/97	830,175	5.88	07/01/23	541,829	572,376
Northwood 2070	05/28/98	360,000	5.66	07/01/23	232,849	246,174
Weston 5730	10/27/10	908,842	3.41	01/01/31	781,954	798,004
Custar 444	01/26/06	782,759	1.50	01/01/37	686,504	708,457
Milton Center 4714	05/31/07	757,375	1.00	07/01/38	691,424	705,625
Stony Ridge 5744	12/09/10	1,972,170	1.37	12/09/13	1,964,971	-
Fixed Base						
Metering 5865	05/26/11	1,969,940	4.45	07/01/31	1,522,165	-
Rossford 2495	10/31/96	2,048,159	4.12	01/01/17	737,972	-
Weston 5867	05/26/11	1,389,150	0	01/01/33	<u>129,818</u>	<u>-</u>
Total					<u>\$ 14,274,363</u>	<u>\$10,804,683</u>

Other long-term loans at December 31, 2011 and 2010 are as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2011 amount outstanding</u>	<u>2010 amount outstanding</u>
12/01/97	Jerry City SS/Cygnets Lagoon	6.04%	12/01/36	\$ -	\$ 192,949
08/13/98	Jerry City SS #1800 OPWC Loan	-	07/01/18	202,277	227,561
09/08/98	Jerry City SS #1800 USDA Loan	4.75	09/08/38	243,100	247,500
07/01/03	W. Boundary Rehab OPWC Loan	-	07/01/13	34,596	51,894
12/05/05	Easterly OPWC Loan	-	01/01/17	95,327	112,660
07/31/04	Jerry City WL #CE37F	-	01/01/25	131,032	140,738
11/03/04	Rudolph SS #CE33E	-	07/01/24	53,844	57,986
07/01/07	Village of Custar #CE411	-	01/01/27	19,375	20,625
09/02/10	Bank of the West	-	09/02/12	180,408	584,671
06/08/10	Wood County Landfill	2.50	02/11/11	-	890,000
08/29/11	Huntington Equipment Lease	2.08	08/29/16	<u>255,481</u>	<u>-</u>
Total				<u>\$ 1,215,440</u>	<u>\$ 2,526,584</u>

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

NOTE 4 - DEBT (CONTINUED)

Bonded debt at December 31, 2011 and 2010 is as follows:

<u>Date of issue</u>	<u>Purpose</u>	<u>Original amount</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>2011 amount outstanding</u>	<u>2010 amount outstanding</u>
09/17/96	Special Assessment Bond	\$ 277,159	6.20%	12/01/16	\$ 69,000	\$ 83,000
10/01/98	Special Assessment Bond	360,000	4.25 -			
			5.25	10/01/18	125,000	140,000
09/23/99	Special Assessment Bond	500,000	5.85	12/01/19	265,000	290,000
09/20/00	Special Assessment Bond	175,000	6.13	12/01/20	80,000	90,000
03/01/02	2002 Revenue Bond	4,235,000	3.00 -			
			5.25	12/01/21	1,335,000	1,515,000
06/07/02	Special Assessment Bond	957,578	4.75	11/01/22	556,000	604,000
09/01/02	Special Assessment Bond	74,000	2.91 -			
			5.10	12/01/22	50,473	53,879
09/01/02	Special Assessment Bond	1,121,000	2.91 -			
			5.10	12/01/22	764,527	816,121
03/20/03	USDA Building Construction	2,975,000	4.63	03/20/33	2,525,184	2,590,699
09/01/03	Special Assessment Bond	1,245,000	2.00 -			
			5.35	09/01/23	880,000	934,999
06/28/04	USDA Revenue Bond	796,000	4.375	06/01/44	741,900	751,900
09/08/04	USDA Special Assessment Bond	820,000	4.75	09/01/24	615,100	648,700
09/15/04	Revenue Bond	2,165,000	2.00 -			
			5.00	12/01/24	1,619,604	1,711,946
09/15/04	Special Assessment Bond	2,000,000	2.00 -			
			5.00	12/01/24	1,470,000	1,554,999
08/01/05	Revenue Bond	1,200,000	3.00 -			
			5.00	12/01/25	964,682	1,017,873
08/16/06	Special Assessment Bond	1,010,000	4.00 -			
			4.65	12/31/26	840,000	880,000
02/16/06	Rotary Commission Loan	168,026	5.00	03/01/26	125,622	125,622
08/27/08	Revenue Bond	6,910,000	3.00 -			
			5.00	12/01/28	6,194,999	6,440,000
09/03/08	Special Assessment Bond	2,205,000	3.00	12/01/28	2,049,678	2,132,658
05/27/09	USDA Revenue Bond	2,400,000	4.25	05/01/49	2,351,400	2,376,200
06/08/10	2010 Special Assessment Bond	2,350,000	3.50 -			
			6.28	12/01/30	2,280,000	2,350,000
06/08/10	2010 Revenue Bond	2,350,000	5.00 -			
			6.23	12/01/30	2,280,000	2,350,000
04/23/03	USDA Cygnet Water	760,000	4.50	04/01/33	643,000	-
11/22/96	USDA Cygnet Sewer	1,102,000	5.125	11/01/36	<u>925,000</u>	<u>-</u>
Total					<u>\$ 29,751,169</u>	<u>\$ 29,457,596</u>

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 4 - DEBT (CONTINUED)

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

Long-term debt activity for the years ended December 31, 2011 and 2010 is as follows:

	2011				
	Balance at December 31, 2010	Additions	Reductions	Balance at December 31, 2011	Amount due in 2012
OWDA:					
SS #140	\$ 288,604	\$ -	\$ 67,734	\$ 220,870	\$ 70,595
WL #234	2,228,067	-	351,589	1,876,478	373,950
WL #167 – 183	2,220,720	-	171,367	2,049,353	181,026
SS #904 & WL #904	1,055,107	-	73,209	981,898	77,960
SS #1000	132,990	-	6,971	126,019	7,292
WL #300	72,418	-	3,743	68,675	3,899
Weston 2918	374,265	-	40,844	333,421	41,661
Weston 3587	382,777	-	26,877	355,900	27,282
Weston 4046	326,705	-	19,576	307,129	19,871
Williamsburg 5097	426,120	-	13,304	412,816	16,394
Custar 4444	708,457	-	21,953	686,504	22,283
Milton Center 4714	705,625	-	14,201	691,424	22,426
Weston Water Tower 5730	798,004	-	16,050	781,954	28,880
Stony Ridge 5744 Fixed Base	-	1,964,971	-	1,964,971	1,964,971
Metering 5865	-	1,522,165	-	1,522,165	48,523
Rossford 2495	-	855,255	117,283	737,972	122,165
Weston 5867	-	129,818	-	129,818	-
OPWC – Custar	20,625	-	1,250	19,375	1,250
Jerry City SS/Cygnnet Lagoon	192,949	-	192,949	-	-
Jerry City SS #1800 OPWC Loan	227,561	-	25,284	202,277	25,285
Jerry City SS #1800 USDA Loan	247,500	-	4,400	243,100	4,600
W. Boundary Rehab OPWC Loan	51,894	-	17,298	34,596	17,298
Jerry City WL #CE37F (WL 318)	140,738	-	9,706	131,032	9,706
Easterly OPWC Loan	112,660	-	17,333	95,327	17,332
Rudolph SS1000 #CE33E	57,986	-	4,142	53,844	4,142
Special assessments bond – WL 183C	83,000	-	14,000	69,000	14,000
Special assessments bond	140,000	-	15,000	125,000	15,000
Special assessments bond – 1999	290,000	-	25,000	265,000	25,000
Special assessments bond – 2000	90,000	-	10,000	80,000	5,000
2002 revenue bond	1,515,000	-	180,000	1,335,000	145,000
Special assessments bond – Stearns Crest	604,000	-	48,000	556,000	48,000
Special assessments bond – 2002	53,879	-	3,406	50,473	3,406
Special assessments bond – 2002	816,121	-	51,594	764,527	51,594

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - DEBT (CONTINUED)

	2011				
	Balance at December 31, 2010	Additions	Reductions	Balance at December 31, 2011	Amount due in 2012
USDA building construction	\$ 2,590,699	\$ -	\$ 65,515	\$ 2,525,184	\$ 68,545
Special assessments bond – 2003	934,999	-	54,999	880,000	55,000
USDA Revenue Bond – Rudolph Bond	751,900	-	10,000	741,900	10,400
USA special Assessment Bond – Jerry City	648,700	-	33,600	615,100	35,100
Special Assessment Bond – Series 2004B	1,711,946	-	92,342	1,619,604	100,000
Revenue Bond – Series 2004A	1,554,999	-	84,999	1,470,000	90,000
OWDA Jerry City – WL 318	266,274	-	13,956	252,318	14,600
Revenue bond – Series 2005A	1,017,873	-	53,191	964,682	50,000
2006A Special Assessment Bond	880,000	-	40,000	840,000	40,000
Rotary Commission Loan	125,622	-	-	125,622	125,622
2008 Revenue Bond	6,440,000	-	245,001	6,194,999	255,000
2008 Special Assessment Bond	2,132,658	-	82,980	2,049,678	81,275
OWDA Northwood – 2069	572,376	-	30,547	541,829	32,344
OWDA Northwood – 2070	246,174	-	13,325	232,849	14,080
USDA Rising Sun	2,376,200	-	24,800	2,351,400	25,900
Bank of the West	584,671	-	404,263	180,408	180,408
Wood County Landfill	890,000	-	890,000	-	-
2010 Revenue Bonds	2,350,000	-	70,000	2,280,000	70,000
2010 Special Assessment Bonds	2,350,000	-	70,000	2,280,000	75,000
Huntington Equipment Lease	-	273,271	17,790	255,481	52,764
USDA Cygnet Water	-	643,000	-	643,000	17,716
USDA Cygnet Sewer	-	925,000	-	925,000	17,813
Total	\$ 42,788,863	\$ 6,313,480	\$ 3,861,371	\$ 45,240,972	\$ 4,827,268

	2010				
	Balance at December 31, 2009	Additions	Reductions	Balance at December 31, 2010	Amount due in 2011
OWDA:					
SS #140	\$ 353,594	\$ -	\$ 64,990	\$ 288,604	\$ 67,734
WL #234	2,558,633	-	330,566	2,228,067	351,589
WL #167 – 183	2,382,941	-	162,221	2,220,720	171,366
SS #904 & WL #904	1,123,851	-	68,744	1,055,107	73,208
SS #1000	139,653	-	6,663	132,990	6,971
WL #300	76,013	-	3,595	72,418	3,743
Williamsburg	59,646	-	59,646	-	-
Weston 2918	414,308	-	40,043	374,265	40,844
Weston 3587	409,255	-	26,478	382,777	26,877
Weston 4046	345,991	-	19,286	326,705	19,576

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - DEBT (CONTINUED)

	2010				
	Balance at December 31, 2009	Additions	Reductions	Balance at December 31, 2010	Amount due in 2011
OWDA, Continued:					
Williamsburg 5097	\$ -	\$ 448,585	\$ 22,465	\$ 426,120	\$ 15,804
Custar	-	727,820	19,363	708,457	21,953
Milton Center	-	730,612	24,987	705,625	21,955
Weston Water Tower	-	798,004	-	798,004	14,078
OPWC – Custar	-	25,000	4,375	20,625	1,250
Jerry City SS/Cygnnet Lagoon	196,006	-	3,057	192,949	3,241
Jerry City SS #1800 OPWC Loan	252,846	-	25,285	227,561	25,285
Jerry City SS #1800 USDA Loan	251,700	-	4,200	247,500	4,400
W. Boundary Rehab OPWC Loan	69,192	-	17,298	51,894	17,298
Jerry City WL #CE37F (WL 318)	150,444	-	9,706	140,738	9,706
Easterly OPWC Loan	129,992	-	17,332	112,660	17,332
Rudolph SS1000 #CE33E	62,127	-	4,141	57,986	4,142
Special assessments bond – WL 183C	97,000	-	14,000	83,000	14,000
Special assessments bond	160,000	-	20,000	140,000	15,000
Special assessments bond – 1999	315,000	-	25,000	290,000	25,000
Special assessments bond – 2000	100,000	-	10,000	90,000	10,000
2002 revenue bond	1,695,000	-	180,000	1,515,000	180,000
Special assessments bond – Stearns Crest	652,000	-	48,000	604,000	48,000
Special assessments bond – 2002	57,283	-	3,404	53,879	3,406
Special assessments bond – 2002	867,716	-	51,595	816,121	51,594
USDA building construction Special assessments bond – 2003	2,653,318	-	62,619	2,590,699	65,515
USDA Revenue Bond – Rudolph Bond	984,999	-	50,000	934,999	55,000
USA special Assessment Bond – Jerry City	761,500	-	9,600	751,900	10,000
Special Assessment Bond – Series 2004B	680,700	-	32,000	648,700	33,600
Revenue Bond – Series 2004A	1,804,289	-	92,343	1,711,946	90,000
OWDA Jerry City – WL 318 Revenue bond – Series 2005A	1,634,999	-	80,000	1,554,999	85,000
2006A Special Assessment Bond	279,615	-	13,341	266,274	13,956
Rotary Commission Loan	1,071,065	-	53,192	1,017,873	50,000
2008 Revenue Bond	920,000	-	40,000	880,000	40,000
2008 Special Assessment Bond	128,990	-	3,368	125,622	125,622
	6,680,000	-	240,000	6,440,000	245,000
	2,210,639	-	77,981	2,132,658	80,000

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 4 - DEBT (CONTINUED)

	2010				
	<u>Balance at December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2010</u>	<u>Amount due in 2011</u>
OWDA Northwood – 2069	\$ 601,227	\$ -	\$ 28,851	\$ 572,376	\$ 30,547
OWDA Northwood – 2070	258,786	-	12,612	246,174	13,325
USDA Rising Sun	2,400,000	-	23,800	2,376,200	24,800
2009 Revenue Bonds	3,562,816	-	3,562,816	-	-
2009 Special Assessment Bonds	6,603,754	-	6,603,754	-	-
Bank of the West	-	584,671	-	584,671	415,561
Wood County Landfill	-	890,000	-	890,000	890,000
2010 Revenue Bonds	-	2,350,000	-	2,350,000	70,000
2010 Special Assessment Bonds	-	2,350,000	-	2,350,000	70,000
Total	<u>\$ 46,156,888</u>	<u>\$ 8,904,692</u>	<u>\$ 12,272,717</u>	<u>\$ 42,788,863</u>	<u>\$ 3,673,278</u>

NOTE 5 - DEBT

The annual principal and interest requirements on all long-term debt outstanding at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,827,268	\$ 1,969,341	\$ 6,743,935
2013	2,618,267	1,858,355	4,476,622
2014	2,695,523	1,742,227	4,437,750
2015	2,738,305	1,615,667	4,353,972
2016	2,608,514	1,488,414	4,096,928
2017 – 2021	11,955,541	5,696,744	17,652,285
2022 – 2026	8,971,115	3,103,629	12,074,744
2027 – 2031	5,383,429	1,273,469	6,656,898
2032 – 2036	1,460,909	489,172	1,950,081
2037 – 2041	698,832	282,850	981,682
2042 – 2046	609,100	148,723	757,823
2047 – 2050	674,079	29,969	704,048
Total	<u>\$ 45,240,882</u>	<u>\$ 19,698,560</u>	<u>\$ 64,886,768</u>

At December 31, 2011 and 2010, respectively, the District had \$5,047,422 and \$5,296,239 in cash and cash equivalents and investments restricted in accordance with loan agreements.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, 2011 and 2010, \$268,000 and \$375,000, 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 2011 and 2010, the County did not make any withdrawals from the reserves; withdrawals in prior years have reduced this reserve to \$183,351 as of December 31, 2011 and 2010.

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

At December 31, 2011 and 2010, \$1,777,810 and \$1,782,144, 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 2011 and 2010, or in prior years on this reserve.

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS (CONTINUED)

Public Employees Retirement System of Ohio

Effective July 1, 1991, all employees of the District are required to be members of the Ohio Public Employees Retirement system ("OPERS"), a cost-sharing, multiple-employer defined benefit pension plan. District to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222 PERS (7377).

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan ("TP") – a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan ("MD") – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The Combined Plan ("CO") – a cost-sharing, multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits.

Funding Policy

The Ohio Revised Code provides statutory authority for member and employer contributions. In 2011 and 2010, members other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2011 and 2010 employer contribution rates for local government employer units were 14.0% of covered payroll including 4.0% from January 1, 2011 through December 31, 2011 and 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 that is used to fund postretirement health care benefits. The District's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement health care benefits) for the years ended December 31, 2011, 2010 and 2009 were \$343,264, \$336,898, and \$317,002, respectively, equal to 100% of the required contribution for each year.

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 - RETIREMENT AND OTHER BENEFIT PLANS (CONTINUED)

Benefits Provided through OPERS

The District provides health care benefits as a post-employment benefit (as defined by GASB Statement No. 45) through its contributions to OPERS. In addition to the pension benefit described above, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB), as described in GASB Statement No. 45.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. For the District, 4.0% from January 1 through December 31, 2011 of covered payroll were the portions of the 14.0% total contribution rate for 2011 that was used to fund health care, and 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 of covered payroll were the portions of the 14.0% total contribution rate for 2010 that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

The District's contributions OPERS for other post-employment benefits for the years ended December 31, 2011, 2010, and 2009 were \$98,075, \$134,854, and \$142,192, respectively, equal to 100% of the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 8 - COMPENSATED ABSENCES

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

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

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

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 8 - COMPENSATED ABSENCES (CONTINUED)

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

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

Compensated absences activity for the year December 31, 2011 is as follows:

	December 31, <u>2010</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2011</u>
Sick leave payable	\$ 164,808	\$ 26,300	\$ 11,089	\$ 180,019
Vacation pay	107,590	133,565	133,753	107,402
Compensatory time	<u>30,773</u>	<u>81,320</u>	<u>73,448</u>	<u>38,645</u>
Total	<u>\$ 303,171</u>	<u>\$ 241,185</u>	<u>\$ 218,290</u>	<u>\$ 326,066</u>

NOTE 9 - INSURANCE

The District maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage between 2011 and 2010. There have been no significant reductions in insurance coverage from 2010, and no insurance settlement has exceeded insurance coverage during the last five years.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The District has received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of District management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2011.

Construction Commitments

At December 31, 2011, the District has construction commitments, on which work has not commenced, totalling approximately \$3,479,000 which will be funded by existing resources or the issuance of new revenue debt. All projects were current at December 31, 2011.

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.

**NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Pending EPA and Local Health Department Ordered Projects

The District has received various orders for installation of wastewater treatment facilities and collection systems within various areas of the District. At December 31, 2011, there are five such ordered areas with preliminary or updated cost estimates totaling \$5.3 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 \$3,431,966 at December 31, 2011 in potential receivables related to special assessments that have been deferred by the County. The special assessments were deferred on properties, \$1,777,810 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 - SEGMENT INFORMATION

Significant financial data for the respective divisions of the December 31, 2011 and 2010 is as follows:

Statement of Net Assets

	<u>2011</u>			<u>2010</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets	\$ 7,257,211	\$ 9,008,959	\$ 16,266,170	\$ 6,157,145	\$ 9,021,539	\$ 15,178,684
Capital assets	55,290,502	73,518,398	128,808,900	52,243,589	66,852,863	119,096,452
Other assets	<u>7,938,504</u>	<u>3,746,290</u>	<u>11,684,794</u>	<u>6,811,566</u>	<u>4,087,198</u>	<u>10,898,764</u>
Total assets	<u>70,486,217</u>	<u>86,273,647</u>	<u>156,759,864</u>	<u>65,212,300</u>	<u>79,961,600</u>	<u>145,173,900</u>
Current liabilities	2,783,201	5,797,782	8,580,983	2,634,950	4,338,820	7,023,770
Long-term liabilities	<u>19,586,657</u>	<u>21,205,787</u>	<u>40,792,444</u>	<u>19,085,946</u>	<u>20,332,810</u>	<u>39,418,756</u>
Total liabilities	<u>22,369,858</u>	<u>27,003,569</u>	<u>49,373,427</u>	<u>21,720,896</u>	<u>24,721,630</u>	<u>46,442,526</u>
Invested in capital assets, net of related debt	37,454,381	51,000,436	88,454,817	35,003,483	46,474,003	81,477,486
Restricted	3,118,443	1,734,909	4,853,352	3,249,365	1,883,614	5,132,979
Unrestricted	<u>7,143,000</u>	<u>6,935,268</u>	<u>14,078,268</u>	<u>5,238,556</u>	<u>6,882,353</u>	<u>12,120,909</u>
Total net assets	<u>\$ 47,715,824</u>	<u>\$ 59,670,613</u>	<u>\$ 107,386,437</u>	<u>\$ 43,491,404</u>	<u>\$ 55,239,970</u>	<u>\$ 98,731,374</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 11 - SEGMENT INFORMATION (CONTINUED)

Statements of Revenues, Expenses, and Change in Net Assets

	<u>2011</u>			<u>2010</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Utility revenues	\$ 7,956,148	\$ 5,051,649	\$ 13,007,797	\$ 5,177,288	\$ 4,147,811	\$ 9,325,099
Other revenues	500,468	298,126	798,594	399,447	308,779	708,226
Total operating revenues	<u>8,456,616</u>	<u>5,349,775</u>	<u>13,806,391</u>	<u>5,576,735</u>	<u>4,456,590</u>	<u>10,033,325</u>
Depreciation and amortization	1,887,447	2,797,595	4,685,042	1,665,678	2,631,794	4,297,472
Other operating expenses	5,770,227	3,094,168	8,864,395	3,499,778	2,710,365	6,210,143
Total operating expenses	<u>7,657,674</u>	<u>5,891,763</u>	<u>13,549,437</u>	<u>5,165,456</u>	<u>5,342,159</u>	<u>10,507,615</u>
Operating income (loss)	<u>798,942</u>	<u>(541,988)</u>	<u>256,954</u>	<u>411,279</u>	<u>(885,569)</u>	<u>(474,290)</u>
Interest expense	(1,050,022)	(1,006,794)	(2,056,816)	(972,178)	(932,403)	(1,904,581)
Other nonoperating revenues	445,634	267,616	713,250	448,723	244,048	692,771
Total non-operating revenues (expenses)	(604,388)	(739,178)	(1,343,566)	(523,455)	(688,355)	(1,211,810)
Aid in construction	4,029,866	5,711,809	9,741,675	4,647,205	2,979,073	7,626,278
Change in net assets	4,224,420	4,430,643	8,655,063	4,535,029	1,405,149	5,940,178
Net assets:						
Beginning of year	<u>43,491,404</u>	<u>55,239,970</u>	<u>98,731,374</u>	<u>38,956,375</u>	<u>53,834,821</u>	<u>92,791,196</u>
End of year	<u>\$ 47,715,824</u>	<u>\$ 59,670,613</u>	<u>\$ 107,386,437</u>	<u>\$ 43,491,404</u>	<u>\$ 55,239,970</u>	<u>\$ 98,731,374</u>

Statement of Cash Flows

	<u>2011</u>			<u>2010</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net cash provided by (used in) operating activities	\$ 1,977,644	\$ 1,709,166	\$ 3,686,810	\$ 1,417,685	\$ 3,545,634	\$ 4,963,319
Capital and related financing	(2,489,054)	(2,424,448)	(4,913,502)	(5,854,073)	(4,888,718)	(10,742,791)
Investing	445,445	252,655	698,100	624,527	446,309	1,070,836
Cash at beginning of year	<u>1,802,854</u>	<u>4,101,101</u>	<u>5,903,955</u>	<u>5,614,715</u>	<u>4,997,876</u>	<u>10,612,591</u>
Cash at end of year	<u>\$ 1,736,889</u>	<u>\$ 3,638,474</u>	<u>\$ 5,375,563</u>	<u>\$ 1,802,854</u>	<u>\$ 4,101,101</u>	<u>\$ 5,903,955</u>

NORTHWESTERN WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 12 - SUBSEQUENT EVENTS

Management evaluated subsequent events through June 29, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to June 29, 2012 that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2011.

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

OTHER SUPPLEMENTARY INFORMATION

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET TO ACTUAL
Year Ended December 31, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget over (under)</u>
REVENUES				
Operating revenue:				
Utility revenues	\$ 10,230,000	\$ 11,617,389	\$ 13,007,797	\$ 1,390,408
Other operating revenues	601,000	601,000	798,594	197,594
Non-operating revenue – interest	625,000	625,000	727,305	102,305
	<u>11,456,000</u>	<u>12,843,389</u>	<u>14,533,696</u>	<u>1,690,307</u>
EXPENSES				
Operating expenses:				
Operations and maintenance	10,810,505	11,865,894	8,878,450	2,987,444
Debt retirement	4,449,500	4,700,500	5,900,407	(1,199,907)
	<u>15,260,005</u>	<u>16,566,394</u>	<u>14,778,857</u>	<u>1,787,537</u>
Operating loss	<u>(3,804,005)</u>	<u>(3,723,005)</u>	<u>(245,161)</u>	<u>3,477,844</u>
RECONCILIATION TO CHANGE IN NET ASSETS				
Aid on construction:				
Grants	4,481,500	4,481,500	2,775,984	(1,705,516)
System development fees	655,000	655,000	522,765	(132,235)
Other	-	-	4,426,541	4,426,541
Antidegradation credits	50,000	50,000	16,000	(34,000)
Special assessment principal	950,000	950,000	2,000,385	1,050,385
	<u>6,136,500</u>	<u>6,136,500</u>	<u>9,741,675</u>	<u>3,605,175</u>
CHANGE IN NET ASSETS	<u>\$ 2,332,495</u>	<u>\$ 2,413,495</u>	<u>\$ 9,496,514</u>	<u>\$ 7,083,019</u>

Note to Supplementary Information

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

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

A reconciliation of the annual budget basis revenues and other income in excess of operating expenses to the net income included in the accompanying 2011 financial statements is as follows:

Change in net assets	\$ 9,496,514
Depreciation	(4,685,042)
Principal payments on debt	<u>3,843,591</u>
Change in net assets	<u>\$ 8,655,063</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2011

ASSETS	Water	Sewer	Eliminations	Combined
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 63,920	\$ 1,766,039	\$ -	\$ 1,829,959
Restricted	1,672,969	1,872,435	-	3,545,404
Investments:				
Unrestricted	420,692	3,171,819	-	3,592,511
Restricted	1,502,018	-	-	1,502,018
Accounts receivable – trade	1,900,013	1,683,415	-	3,583,428
Current portion of special assessments	503,822	316,390	-	820,212
Inventory	1,151,216	145,400	-	1,296,616
Prepaid expenses	42,561	53,461	-	96,022
Total current assets	<u>7,257,211</u>	<u>9,008,959</u>	<u>-</u>	<u>16,266,170</u>
NONCURRENT ASSETS				
Capital assets:				
Sewer and waterlines	64,385,490	94,249,219	-	158,634,709
Buildings, pumps and life stations	9,199,623	12,439,085	-	21,638,708
Machinery and equipment	2,601,171	2,132,411	-	4,733,582
Vehicles	655,626	1,246,121	-	1,901,747
Furniture and fixtures	111,062	170,567	-	281,629
Computer equipment	267,000	616,979	-	883,979
Improvements – Oregon waste water treatment plant	2,742,461	3,185,486	-	5,927,947
Total depreciable capital assets	79,962,433	114,039,868	-	194,002,301
Accumulated depreciation	<u>(27,343,751)</u>	<u>(49,242,952)</u>	<u>-</u>	<u>(76,586,703)</u>
Net depreciable capital assets	52,618,682	64,796,916	-	117,415,598
Land	233,777	438,253	-	672,030
Easements	8,608	8,877	-	17,485
Construction in process	2,429,435	8,274,352	-	10,703,787
Net capital assets	<u>55,290,502</u>	<u>73,518,398</u>	<u>-</u>	<u>128,808,900</u>
OTHER ASSETS				
Special assessments, less current portion	7,584,048	3,311,103	-	10,895,151
Reserve with county commissioners	36,657	221,694	-	258,351
Deferred loan costs, net of accumulated amortization of \$58,376	33,537	-	-	33,537
Miscellaneous	284,262	614,028	(400,535)	497,755
Total other assets	<u>7,938,504</u>	<u>4,146,825</u>	<u>(400,535)</u>	<u>11,684,794</u>
Total noncurrent assets	<u>63,229,006</u>	<u>77,665,223</u>	<u>(400,535)</u>	<u>140,493,694</u>
TOTAL ASSETS	<u>\$ 70,486,217</u>	<u>\$ 86,674,182</u>	<u>\$ (400,535)</u>	<u>\$ 156,759,864</u>

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF NET ASSETS
INFORMATION BY DIVISION
December 31, 2011

LIABILITIES AND NET ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 1,551,434	\$ 3,223,160	\$ -	\$ 4,774,594
Accounts payable – trade	1,054,923	1,319,420	(400,535)	1,973,808
Accrued payroll and payroll taxes	109,265	118,012	-	227,277
Accrued interest payable	297,896	288,516	-	586,412
Amounts due others	170,218	848,674	-	1,018,892
	<u>3,183,736</u>	<u>5,797,782</u>	<u>(400,535)</u>	<u>8,580,983</u>
LONG-TERM DEBT , less current portion	19,436,667	21,029,711	-	40,466,378
Compensated absences payable	149,990	176,076	-	326,066
	<u>19,586,657</u>	<u>21,205,787</u>	<u>-</u>	<u>40,792,444</u>
TOTAL LIABILITIES	<u>22,770,393</u>	<u>27,003,569</u>	<u>(400,535)</u>	<u>49,373,427</u>
NET ASSETS				
Invested in capital assets, net of related debt	37,454,381	51,000,436	-	88,454,817
Restricted	3,118,443	1,734,909	-	4,853,352
Unrestricted	7,143,000	6,935,268	-	14,078,268
TOTAL NET ASSETS	<u>\$ 47,715,824</u>	<u>\$ 59,670,613</u>	<u>\$ -</u>	<u>\$ 107,386,437</u>

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

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

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

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

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INFORMATION BY DIVISION
Year Ended December 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Utility revenue	\$ 7,956,148	\$ 5,051,649	\$ -	\$ 13,007,797
Fees and permits	167,070	48,448	-	215,518
Contract services	93,046	130,632	-	223,678
Other operating revenues	240,352	119,046	-	359,398
	<u>8,456,616</u>	<u>5,349,775</u>	<u>-</u>	<u>13,806,391</u>
OPERATING EXPENSES				
Depreciation and amortization	1,887,447	2,797,595	-	4,685,042
Labor	1,094,754	1,197,473	-	2,292,227
Employee benefits	457,349	537,875	-	995,224
Professional services	275,712	328,328	-	604,040
Purchased water and sewer treatment	3,040,369	175,302	-	3,215,671
Materials and supplies	475,837	384,106	-	859,943
Utilities	207,027	279,594	-	486,621
Rent	3,109	-	-	3,109
Other	216,070	191,490	-	407,560
	<u>7,657,674</u>	<u>5,891,763</u>	<u>-</u>	<u>13,549,437</u>
Total operating expenses	<u>7,657,674</u>	<u>5,891,763</u>	<u>-</u>	<u>13,549,437</u>
Operating income (loss)	<u>798,942</u>	<u>(541,988)</u>	<u>-</u>	<u>256,954</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	452,833	274,472	-	727,305
Interest expense	(1,050,022)	(1,006,794)	-	(2,056,816)
Other expense	(7,199)	(6,856)	-	(14,055)
	<u>(604,388)</u>	<u>(739,178)</u>	<u>-</u>	<u>(1,343,566)</u>
Total nonoperating revenues (expenses)	<u>(604,388)</u>	<u>(739,178)</u>	<u>-</u>	<u>(1,343,566)</u>
AID IN CONSTRUCTION				
	<u>4,029,866</u>	<u>5,711,809</u>	<u>-</u>	<u>9,741,675</u>
Change in net assets	<u>4,224,420</u>	<u>4,430,643</u>	<u>-</u>	<u>8,655,063</u>
NET ASSETS				
Beginning of year	<u>43,491,404</u>	<u>55,239,970</u>	<u>-</u>	<u>98,731,374</u>
End of year	<u>\$ 47,715,824</u>	<u>\$ 59,670,613</u>	<u>\$ -</u>	<u>\$ 107,386,437</u>

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

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

NORTHWESTERN WATER & SEWER DISTRICT
SCHEDULE OF CASH FLOWS
INFORMATION BY DIVISION
Year Ended December 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 798,942	\$ (541,988)	\$ -	\$ 256,954
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	1,887,447	2,797,595	-	4,685,042
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	(495,992)	(381,590)	-	(877,582)
Inventory	(736,448)	(24,716)	-	(761,164)
Prepaid and other assets	(2,969)	(260,863)	252,291	(11,541)
Accounts payable – trade	589,260	(311,540)	(252,291)	25,429
Accrued payroll and payroll taxes	5,072	8,207	-	13,279
Accounts due to others	(70,620)	404,118	-	333,498
Compensated absences payable	2,952	19,943	-	22,895
Net cash provided by operating activities	<u>1,977,644</u>	<u>1,709,166</u>	<u>-</u>	<u>3,686,810</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	452,833	274,472	-	727,305
Proceeds on sale of investments	911,153	2,694,426	-	3,605,579
Purchases of investments	(918,541)	(2,716,243)	-	(3,634,784)
Net cash provided by investing activities	<u>445,445</u>	<u>252,655</u>	<u>-</u>	<u>698,100</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	4,029,866	5,711,809	-	9,741,675
Acquisition and construction of capital assets	(4,979,029)	(9,466,212)	-	(14,445,241)
Loss on disposal of capital assets	48,050	3,082	-	51,132
Proceeds from issuance of long-term debt	1,926,013	4,369,687	-	6,295,700
Repayment of long-term debt	(1,464,301)	(2,379,290)	-	(3,843,591)
Collections on special assessments	1,322,178	337,930	-	1,660,108
Assessed special assessments	(2,375,731)	(10,374)	-	(2,386,105)
Interest paid	(996,100)	(991,080)	-	(1,987,180)
Net cash used in financing activities	<u>(2,489,054)</u>	<u>(2,424,448)</u>	<u>-</u>	<u>(4,913,502)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(65,965)	(462,627)	-	(528,592)
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>1,802,854</u>	<u>4,101,101</u>	<u>-</u>	<u>5,903,955</u>
End of year	<u>\$ 1,736,889</u>	<u>\$ 3,638,474</u>	<u>\$ -</u>	<u>\$ 5,375,363</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Eliminations</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 411,279	\$ (885,569)	\$ -	\$ (474,290)
Adjustments to reconcile net cash provided by operating activities:				
Depreciation and amortization	1,665,678	2,631,794	-	4,297,472
Effects of changes in operating assets and liabilities:				
Accounts receivable – trade	12,991	37,850	148,244	199,085
Grant receivable	-	90,620	-	90,620
Inventory	(82,938)	6,783	-	(76,155)
Other assets	53,498	430,239	-	483,737
Accounts payable – trade	(672,302)	1,136,689	(148,244)	316,143
Accrued payroll and payroll taxes	11,112	8,783	-	19,895
Accounts due to others	(5,051)	83,403	-	78,352
Compensated absences payable	23,418	5,042	-	28,460
Net cash provided by operating activities	<u>1,417,685</u>	<u>3,545,634</u>	<u>-</u>	<u>4,963,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	439,644	261,015	-	700,659
Proceeds on sale of investments	950,445	2,290,641	-	3,241,086
Purchases of investments	<u>(765,562)</u>	<u>(2,105,347)</u>	<u>-</u>	<u>(2,870,909)</u>
Net cash provided by investing activities	<u>624,527</u>	<u>446,309</u>	<u>-</u>	<u>1,070,836</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Aid in construction	4,647,205	2,979,073	-	7,626,278
Acquisition and construction of capital assets	(6,147,719)	(6,731,320)	-	(12,879,039)
Proceeds from sale of assets	761	4,686	-	5,447
Proceeds from issuance of long-term debt	4,803,339	4,101,353	-	8,904,692
Repayment of long-term debt	(7,848,419)	(4,424,298)	-	(12,272,717)
Collections on special assessments	561,014	313,141	-	874,155
Assessed special assessments	(708,979)	(111,576)	-	(820,555)
Interest paid	<u>(1,161,275)</u>	<u>(1,019,777)</u>	<u>-</u>	<u>(2,181,052)</u>
Net cash used in financing activities	<u>(5,854,073)</u>	<u>(4,888,718)</u>	<u>-</u>	<u>(10,742,791)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(3,811,861)</u>	<u>(896,775)</u>	<u>-</u>	<u>(4,708,636)</u>
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>5,614,715</u>	<u>4,997,876</u>	<u>-</u>	<u>10,612,591</u>
End of year	<u>\$ 1,802,854</u>	<u>\$ 4,101,101</u>	<u>\$ -</u>	<u>\$ 5,903,955</u>



NORTHWESTERN WATER AND SEWER DISTRICT STATISTICAL SCHEDULES

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

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time	S2
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its water and sewer sales	S10
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future	S16
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments	S21
Operating Information These schedules contain information about the District's operation and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs	S24
Sources Unless stated otherwise, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.	



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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in Capital Assets, Net of Related Debt	\$88,455	\$81,477	\$73,573	\$73,491	\$74,830	\$70,996	\$66,996	\$61,550	\$59,024	\$56,752
Restricted	4,853	5,133	9,145	5,001	6,486	3,809	2,896	2,500	2,307	3,443
Unrestricted	14,078	12,248	10,073	14,124	8,823	14,838	16,981	19,564	17,886	12,894
Total Net Assets	\$107,386	\$98,131	\$92,791	\$92,616	\$90,139	\$89,643	\$86,873	\$83,614	\$79,217	\$73,089



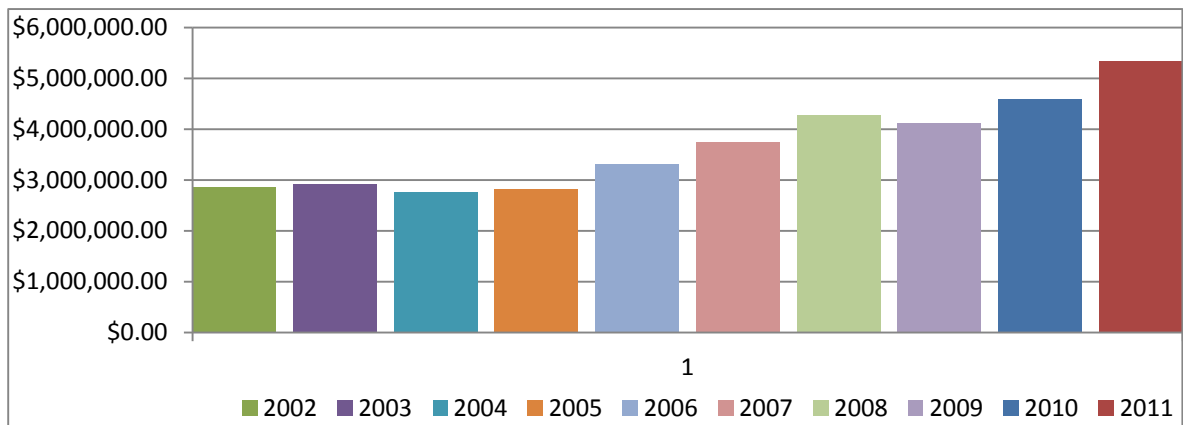
NORTHWESTERN WATER AND SEWER DISTRICT
CHANGES IN NET ASSETS
LAST TEN YEARS
(amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Revenue	\$13,806	\$10,053	\$9,197	\$8,586	\$7,415	\$6,524	\$5,811	\$5,395	\$5,221	\$4,953
Operating Expenses	\$13,549	\$10,507	\$10,278	\$10,221	\$9,373	\$8,759	\$7,347	\$6,948	\$6,136	\$5,682
Total Net Revenue (Expense)	\$257	\$(474)	\$(1,081)	\$(1,635)	\$(1,958)	\$(2,235)	\$(1,536)	\$(1,553)	\$(915)	\$(729)
Other Changes In Net Assets										
Nonoperating Revenues (Expenses)	\$(1,344)	\$(1,212)	\$(1,164)	\$(530)	\$(132)	\$(183)	\$(335)	\$(98)	\$(497)	\$(261)
Aid In Construction	\$9,742	\$7,626	\$2,420	\$4,642	\$2,586	\$5,187	\$5,130	\$6,048	\$7,541	\$5,710
Total Other Changes In Net Assets	\$8,398	\$6,414	\$1,256	\$4,112	\$2,454	\$5,004	\$4,795	\$5,950	\$7,044	\$5,449
Change In Net Assets	\$8,655	\$6,067	\$175	\$2,477	\$496	\$2,769	\$3,259	\$4,394	\$6,129	\$4,720



**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>
2011	\$5,051,649	\$48,448	\$130,632	\$119,046	\$5,349,775	16.7%
2010	4,147,811	64,867	274,118	96,794	4,583,590	11.0%
2009	3,834,605	42,028	165,295	85,910	4,127,838	(3.6)%
2008	3,978,236	64,205	152,793	88,900	4,284,134	14.5%
2007	3,442,820	86,735	139,618	73,201	3,742,374	12.6%
2006	3,067,499	85,020	113,384	56,969	3,322,872	17.8%
2005	2,555,120	106,071	94,481	64,749	2,820,421	2.1%
2004	2,506,712	102,313	89,853	62,653	2,761,531	(5.8)%
2003	2,626,460	132,897	123,597	47,859	2,930,913	2.3%
2002	2,650,090	91,740	78,463	43,366	2,863,659	14.5%

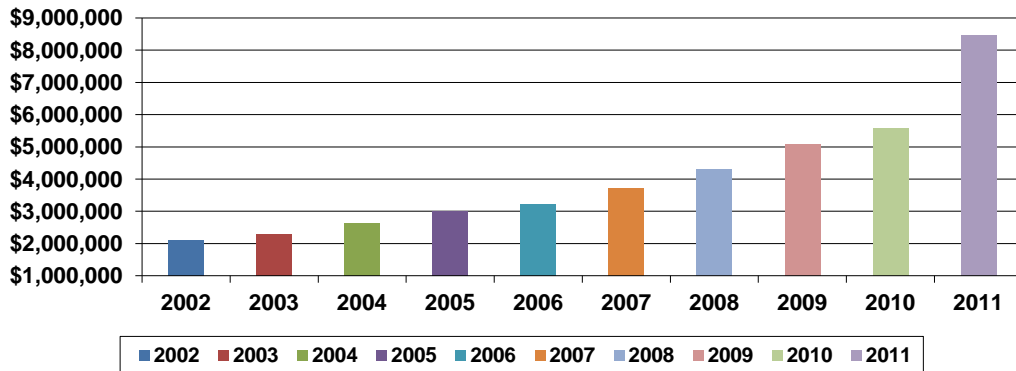


Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
WATER 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>
2011	\$7,956,148	\$167,070	\$93,046	\$240,352	\$8,456,616	51.6%
2010	5,177,288	137,747	89,743	171,957	5,576,735	10.0%
2009	4,668,363	134,770	109,092	157,102	5,069,327	17.8%
2008	3,906,717	212,287	83,724	99,189	4,301,917	17.1%
2007	3,224,129	225,786	125,388	96,942	3,672,246	14.7%
2006	2,865,069	200,717	71,491	64,212	3,201,489	7.0%
2005	2,551,188	293,917	89,253	56,684	2,991,042	13.6%
2004	2,148,309	367,519	81,860	35,527	2,633,215	15.0%
2003	1,977,300	244,012	39,166	29,090	2,289,568	8.6%
2002	1,848,210	193,367	21,059	45,409	2,108,045	11.7%

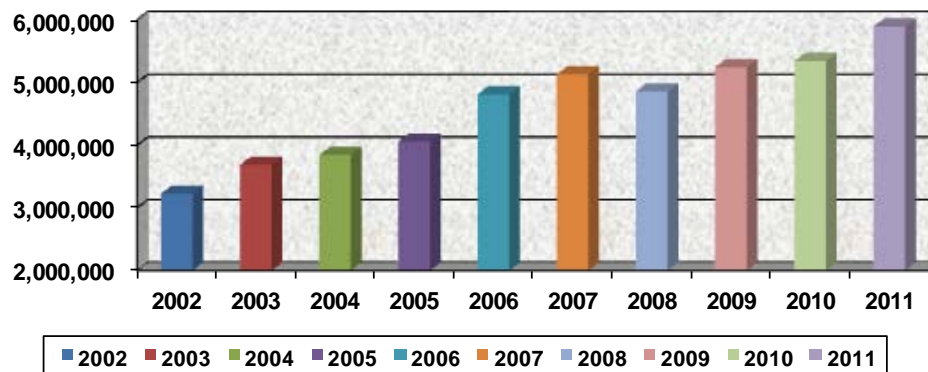


Source: District accounting records



**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>
2011	\$1,197,473	\$537,875	\$503,630	\$384,106	\$279,594	\$2,797,595	\$191,490	\$5,891,763	10.3%
2010	1,057,390	444,305	486,733	299,495	226,847	2,631,794	195,595	5,342,159	1.9%
2009	1,088,978	472,491	397,802	330,130	236,985	2,449,124	267,552	5,243,062	8.2%
2008	1,095,395	475,983	268,269	370,010	235,064	2,161,407	240,854	4,846,982	(5.24)%
2007	1,254,946	463,426	368,816	380,166	218,647	2,234,830	199,268	5,120,099	6.4%
2006	1,140,171	414,550	310,753	390,354	224,856	2,139,374	190,331	4,810,389	18.6%
2005	866,327	321,284	234,151	260,761	161,296	2,045,075	166,869	4,055,763	5.5%
2004	840,330	293,969	257,240	197,328	155,420	1,931,228	169,796	3,845,311	4.3%
2003	823,718	291,562	224,522	247,774	162,098	1,765,517	170,231	3,688,422	14.3%
2002	638,814	271,917	335,408	231,182	142,800	1,501,058	104,867	3,225,746	1.4%



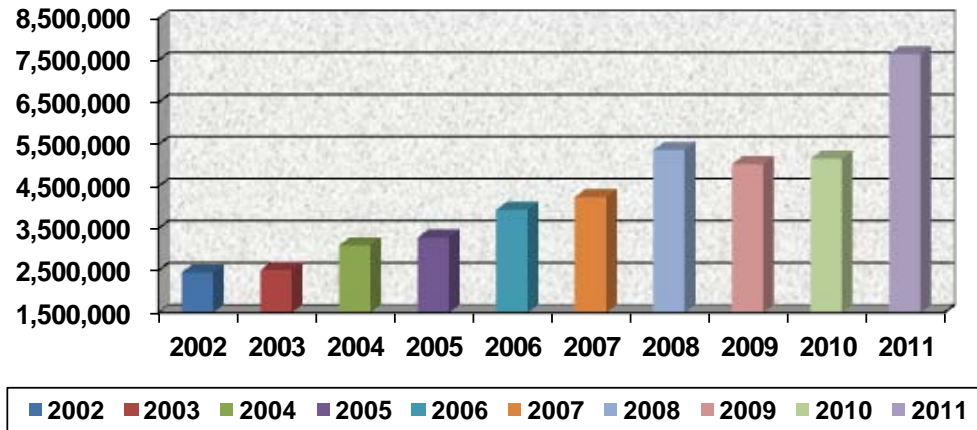
Source: District accounting records



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>
2011	\$1,094,754	\$457,349	\$275,712	\$3,040,369	\$475,837	\$207,027	\$1,887,447	\$219,179	\$7,657,674	48.2%
2010	961,586	418,914	196,036	1,198,861	390,202	146,801	1,665,678	187,378	5,165,456	2.6%
2009	957,031	429,346	234,496	1,103,187	324,373	159,109	1,598,650	228,369	5,034,561	-6.3%
2008	1,035,165	405,673	321,588	1,328,232	466,907	169,997	1,465,972	180,433	5,373,967	26.4%
2007	705,008	277,142	217,551	1,020,361	359,029	174,480	1,361,439	137,671	4,252,681	7.7%
2006	663,157	250,007	124,792	917,580	454,068	127,718	1,262,110	149,692	3,949,124	20.0%
2005	534,005	205,864	117,852	724,558	309,541	122,596	1,132,963	143,534	3,290,913	6.0%
2004	478,590	186,742	139,556	624,052	396,242	112,360	1,051,791	113,853	3,103,186	23.2%
2003	479,754	183,524	120,011	558,713	158,696	112,248	836,178	69,899	2,519,023	2.4%
2002	392,709	169,913	150,837	528,894	198,582	111,029	842,693	65,432	2,460,089	.3%

In April 2011, the District assumed the billing and meter maintenance for approximately 7,000 accounts previously provided by the City of Toledo and went to a bulk water purchase contract with Toledo.



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>
2011	\$274,472	\$5,711,809	\$(6,856)	\$5,979,425
2010	261,015	2,979,073	(16,967)	3,223,121
2009	305,757	1,852,018	591	2,158,366
2008	391,457	2,683,536	57,831	3,132,824
2007	545,395	808,919	15,809	1,370,123
2006	507,988	2,808,702	79,985	3,396,675
2005	429,415	2,517,442	0	2,946,857
2004	329,603	2,438,868	275,017 (2)	3,043,488
2003	334,772	4,501,078	0	4,835,850
2002	272,677	3,826,779	0	4,099,456

(1) Other Aid In Constructions includes: System Development Fees, Grants, Developer assets turned over to the District

(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>
2011	\$452,833	\$4,029,866	\$(7,199)	\$4,475,500
2010	439,644	4,647,205	9,079	5,095,928
2009	463,868	567,628	(15,129)	1,016,367
2008	501,539	1,958,669	26,129	2,486,337
2007	619,165	1,777,303	15,075	2,411,543
2006	525,414	2,378,917	17,571	2,921,902
2005	462,213	2,612,560	5,451	3,080,224
2004	408,849	3,609,049	3,560	4,021,458
2003	304,945	3,040,090	0	3,345,035
2002	356,621	1,883,509	0	2,240,130

(1) Other Aid In Constructions includes: System Development Fees, Grants, Developer assets turned over to the District

Source: District accounting records



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

<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1)</u>	
	<u>Monthly</u>	<u>Quarterly</u>	<u>Collection Only</u>	<u>Collection & Treatment</u>
2011	\$12.06	\$24.12	\$13.39	\$35.45
2010	12.06	24.12	12.50	34.56
2009	12.06	24.12	11.62	33.68
2008	12.06	24.12	11.62	33.68
2007	10.06	20.12	11.62	29.03
2006	9.40	18.80	10.86	27.13
2005	8.95	17.90	10.34	25.84
2004	8.52	17.05	9.85	24.61
2003	8.52	17.05	9.85	22.37
2002	8.11	16.24	9.38	21.30

(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**

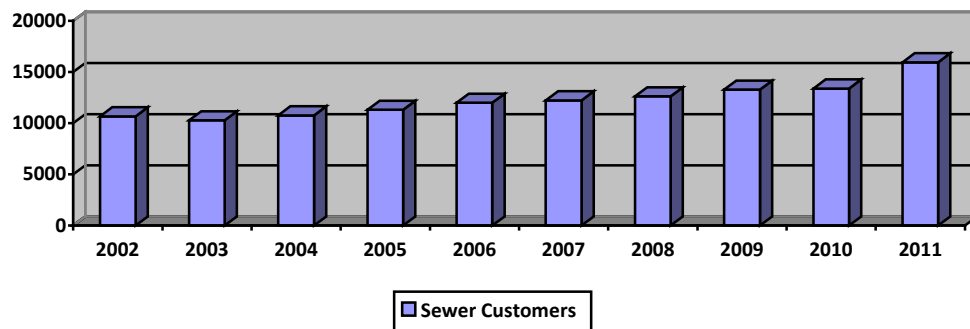
<u>Year</u>	<u>Minimum Charge</u>		<u>Volume Charges (1) Distribution</u>
	<u>Monthly</u>	<u>Quarterly</u>	
2011	\$13.26	\$26.52	\$10.49
2010	13.00	26.00	9.77
2009	13.00	26.00	9.25
2008	9.93	19.86	5.69
2007	6.93	13.86	4.80
2006	6.48	12.96	4.49
2005	6.23	12.46	4.32
2004	5.99	11.98	4.15
2003	5.76	11.52	3.99
2002	5.14	10.28	3.56

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



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

<u>Year</u>	<u>Average Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
2002	10,664	3,889	1,419,634
2003	10,283	4,006	1,462,233 (a)
2004	10,758	3,582	1,307,700
2005	11,313	4,007	1,462,500
2006	11,999	3,784	1,381,254 (b)
2007	12,224	3,632	1,325,558
2008	12,626	3,701	1,350,813
2009	13,278	3,584	1,308,307
2010	13,394	3,657	1,334,650
2011	15,944	4,295	1,567,808 (c)



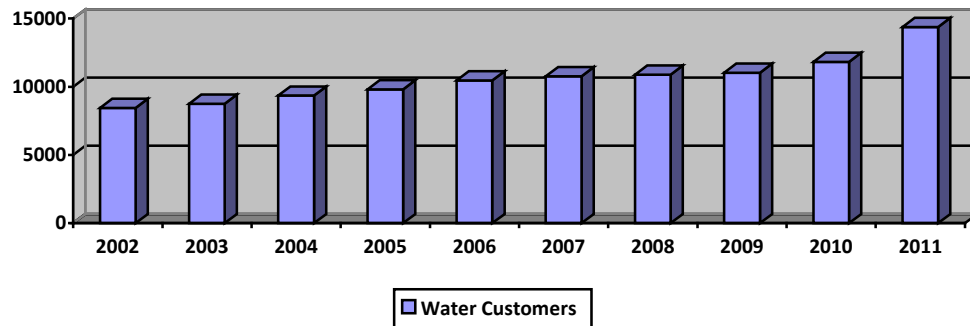
- a) In 2003 as part of a legal settlement, approximately 600 customers were given to the City of Perrysburg.
- b) District acquired the Villages of Bardstown and Weston adding about 550 customers.
- c) In 2011, the City of Rossford and the Village of Cygnet joined the District with approximately 2,550 customers

Source: District accounting records



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

<u>Year</u>	<u>Number of Customers</u>	<u>Average Day (000's/gal.)</u>	<u>Total Annual Consumption (000's/gal.)</u>
2002	8,449	3,979	1,452,430
2003	8,756	4,059	1,481,478
2004	9,353	3,966	1,447,600
2005	9,799	3,935	1,436,400
2006	10,455	3,891	1,420,874 (a)
2007	10,775	4,133	1,508,418
2008	10,886	3,949	1,441,658
2009	11,025	3,434	1,253,238
2010	11,825	3,640	1,328,774
2011	14,375	4,211	1,537,140 (b)



- a) District acquired the Villages of Bardstown and Weston adding about 550 customers.
- b) In 2011, the City of Rossford and the Village of Cygnet joined the District with approximately 2,550 customers

Source: District accounting records



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

Fiscal year 2011

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

Fiscal year 2002

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

Source: District accounting records

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

Fiscal year 2011

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

Fiscal year 2002

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

Source: District accounting record



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

Debt By Type In Thousands	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenue Bond Issues										
\$1,395 Series 1996	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
\$4,235 Series 2002 (1)	3,835	3,435	3,035	2,635	2,235	2,055	1,875	1,695	1,515	1,335
\$2,165 Series 2004B			2,165	2,100	2,025	1,940	1,892	1,804	1,712	1,620
\$1,200 Series 2005A				1,200	1,160	1,120	1,070	1,020	1,018	965
\$6,910 Series 2008							6,910	6,680	6,440	6,195
\$3,550 Series 2009 BAN								3,550	--	--
\$2,350 Series 2010									2,350	2,280
Total Revenue Bonds	3,835	3,435	5,200	5,935	5,420	5,115	11,747	14,749	13,035	12,395
Special Assessment Issues										
\$277 Series 1996	194	180	166	152	139	125	111	97	83	69
\$360 Series 1998	285	270	250	230	215	195	175	160	140	125
\$500 Series 1999	455	440	420	400	380	360	340	315	290	265
\$175 Series 2000	160	150	145	135	125	115	110	100	90	80
\$1,195 Series 2002	1,195	1,180	1,145	1,110	1,070	1,025	975	925	870	815
\$1,245 Series 2003		1,245	1,215	1,170	1,125	1,080	1,035	985	935	880
\$2,000 Series 2004A			2,000	1,945	1,870	1,795	1,715	1,635	1,555	1,470
\$1,010 Series 2006					1,010	990	955	920	880	840
\$2,205 Series 2008							2,205	2,155	2,133	2,050
\$6,580 Series 2009 BAN								6,580	--	--
\$2,350 Series 2010									2,350	2,280
Total SA Bonds	2,289	3,465	5,341	5,142	5,934	5,685	7,621	13,872	9,326	8,874
U.S. Dept of Agriculture Ohio Water Development Authority.	9,989	9,550	9,256	9,090	10,181	9,491	11,287	9,004	10,805	14,274
Ohio Public Works Commission	417	556	731	872	787	812	738	665	611	536
Other	<u>468</u>	<u>423</u>	<u>310</u>	<u>323</u>	<u>333</u>	<u>331</u>	<u>328</u>	<u>325</u>	<u>1,793</u>	<u>905</u>
	\$17,274	\$18,624	\$24,915	\$26,935	\$28,095	26,732	\$36,872	\$46,014	\$42,789	45,241
Number of Customer Accounts	19,113	19,039	20,111	21,112	22,454	22,999	23,512	24,614	25,219	30,319
Outstanding Debt Per Customer Account	\$904	\$978	\$1,239	\$1,276	\$1,251	\$1,162	\$1,568	\$1,869	\$ 1,696	\$ 1,492

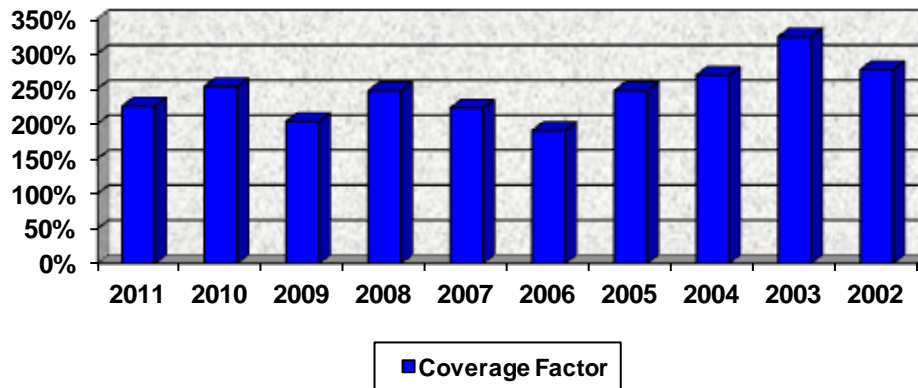
(1) The Series 1996 Bonds were refunded on 3/27/02 and were replaced by the Series 2002 Bonds

Source: District Accounting Records



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

<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Operating Expense (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>	<u>Coverage Factor (3)</u>
2011	\$15,056,461	\$8,864,395	\$6,192,066	\$2,752,617	225%
2010	\$11,158,034	\$6,210,143	\$4,947,891	\$1,937,845	253%
2009	\$10,220,215	\$6,229,849	\$3,990,366	\$1,962,352	203%
2008	\$10,225,557	\$6,593,570	\$3,631,987	\$1,471,370	247%
2007	\$ 9,399,095	\$5,820,968	\$3,578,127	\$1,610,213	222%
2006	\$8,579,544	\$5,358,029	\$3,221,515	\$1,693,456	190%
2005	\$7,954,716	\$4,219,005	\$3,735,711	\$1,513,114	247%
2004	\$7,581,405	\$3,965,478	\$3,615,927	\$1,345,569	269%
2003	\$7,031,171	\$3,525,989	\$3,505,182	\$1,082,625	324%
2002	\$6,831,468	\$3,338,421	\$3,174,828	\$1,144,255	277%



- (1) Includes water and sewer revenues. Also includes System Development Fees.
- (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>Assessments Collections</u>	<u>Special Debt Service Requirement</u>	<u>Coverage Factor</u>
2011	\$2,019,018	\$1,587,977	127%
2010	\$1,467,115 (A)	\$1,817,892	81%
2009	\$1,147,785 (A)	\$1,449,492	79%
2008	\$1,370,124	\$1,351,612	101%
2007	\$1,353,831	\$1,294,512	105%
2006	\$1,512,255	\$1,173,318	129%
2005	\$1,433,680	\$1,164,343	123%
2004	\$1,036,820	\$ 880,803	118%
2003	\$956,567	\$ 871,841	110%
2002	\$758,409	\$ 605,184	125%

(A) Charter Steel paid their 2nd half assessment of \$79,996 July 30, 2009 but District did not receive cash from Wood County Auditor until January 2010. Amount not included in 2009 number.

Source: District accounting records



**NORTHWESTERN WATER AND SEWER DISTRICT
SEWER DEBT BY TOTAL DEBT SERVICE
AS OF DECEMBER 31, 2011**

Year	Revenue Debt			Special Assessment Debt			Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	OPWC	Bonds & Notes		
2012	2,656,585	40,022	785,985	74,626	25,285	533,984	4,116,487	88.64%
2013	746,614	40,022	787,098	74,626	25,285	541,154	2,214,799	82.53%
2014	746,614	22,724	782,217	74,626	25,285	537,047	2,188,513	76.50%
2015	667,517	22,724	785,963	74,626	25,285	532,743	2,108,858	70.68%
2016	667,517	22,724	784,332	74,626	25,285	531,236	2,105,720	64.87%
2017	591,855	14,058	784,896	74,626	25,285	531,793	2,022,513	59.29%
2018	516,193	5,392	785,710	74,626	25,285	732,361	2,139,567	53.39%
2019	516,193	5,392	785,822	74,626	0	509,585	1,891,618	48.17%
2020	516,193	5,392	784,365	74,626	0	477,821	1,858,397	43.05%
2021	285,007	5,392	781,711	37,313	0	468,395	1,577,818	38.69%
2022	285,007	5,392	788,607	0	0	466,264	1,545,270	34.43%
2023	285,007	5,392	783,330	0	0	319,933	1,393,662	30.59%
2024	252,489	5,392	783,571	0	0	248,607	1,290,059	27.03%
2025-29	1,100,044	3,125	2,824,468	0	0	903,460	4,831,097	13.70%
2030-34	606,511	0	1,044,278	0	0	671,622	2,322,411	7.29%
2035-39	197,068	0	345,229	0	0	629,169	1,171,466	4.06%
2040-44	0	0	214,543	0	0	629,255	843,798	1.74%
2045-49	0	0	0	0	0	628,998	628,998	0.0%
Totals	\$10,636,414	\$ 203,143	\$ 14,632,125	\$ 708,947	\$ 176,995	\$ 9,893,427	\$ 36,251,051	

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, 2011**

Year	<u>Revenue Debt</u>			<u>Special Assessment Debt</u>		Totals	% of Debt Service Remaining
	OWDA	OPWC	Bonds & Notes	OWDA	Bonds & Notes		
2012	356,327	9,706	773,281	558,145	641,128	2,338,587	92.03%
2013	356,327	9,706	762,512	558,145	642,086	2,328,776	84.10%
2014	356,327	9,706	752,910	558,145	639,102	2,316,190	76.21%
2015	356,327	9,706	743,746	558,145	644,144	2,312,068	68.34%
2016	356,327	9,706	736,638	311,498	643,993	2,058,162	61.33%
2017	356,327	9,706	714,127	64,851	624,953	1,769,964	55.30%
2018	356,327	9,706	710,736	64,851	628,636	1,770,256	49.27%
2019	331,161	9,706	701,646	64,851	600,095	1,707,459	43.45%
2020	307,998	9,706	697,040	64,851	585,099	1,664,694	37.78%
2021	246,698	9,706	681,548	32,426	588,218	1,558,596	32.47%
2022	246,694	9,706	559,326	0	588,394	1,404,120	27.69%
2023	155,233	9,706	526,687	0	578,752	1,270,378	23.36%
2024	155,233	9,706	559,250	0	557,184	1,281,373	19.00%
2025-29	816,420	4,853	2,141,276	0	1,606,024	4,568,573	3.44%
2030-34	217,549	0	632,003	0	159,526	1,009,078	0.00%
Totals	\$ 4,971,275	\$ 131,031	\$ 11,692,726	\$ 2,835,908	\$ 9,727,334	\$ 29,358,274	

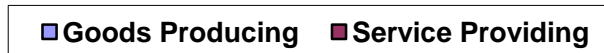
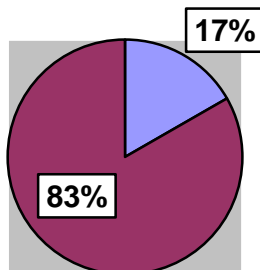
OWDA – Ohio Water Development Authority

OPWC – Ohio Public Works Commission

Source: District accounting records

NONAGRICULTURAL EMPLOYMENT
 Toledo Primary Metropolitan Statistical Area
 (includes Wood County)
 At December 31, 2011

	<u>Employment</u>
Goods-Producing Industries	50,700
Natural Resources, Mining and Construction	11,000
Manufacturing	39,700
Durable Goods	28,700
Transportation Equipment	8,800
Service-Providing Industries	253,100
Trade, Transportation and Utilities	59,400
Information	3,400
Financial Activities	10,800
Professional and Business Services	34,600
Educational and Health Services	51,900
Leisure and Hospitality	32,300
Other Services	13,000
Government	47,700



Source: Ohio Bureau of Employment Services, Labor Market Review

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

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Bowling Green State University	5,361	1	9.18	5,361	1	8.38
Owens Community College	1,525	2	2.61	1,700	3	2.66
Wood County	1,222	3	2.09	1,132	5	1.77
First Solar	1,100	4	1.88	-	-	
Wood County Hospital	900	5	1.54	610	9	.95
Diamler Chrysler	850	6	1.46	1,800	2	2.81
Walgreens	760	7	1.30	-	-	
Norplas (Magna)	650	8	1.11	600	10	.94
NFO Market Research	625	9	1.07	625	8	.98
Cooper Standard Automotive	565	10	.97	1,134	4	1.77
Great Lakes Window	-	-		650	6	1.02
GEM Rudolph-Libbe Companies	-	-		650	7	1.02
Totals	13,558		23.22%	14,262		22.28%
Total Employment Within Wood County	58,400			64,000		

Source: Wood County Auditor

WOOD COUNTY OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

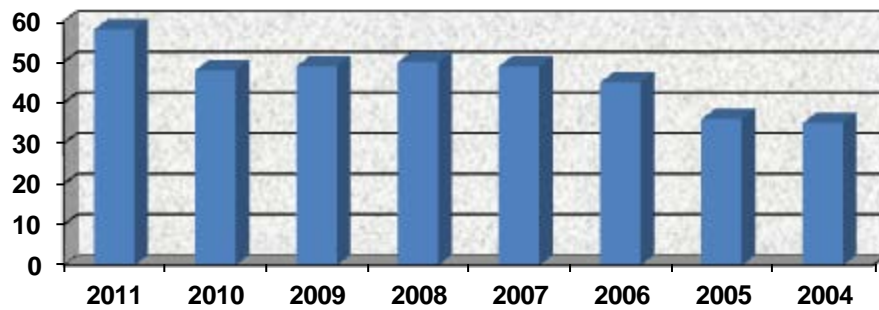
<u>Year</u>	<u>Population (Estimated)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2011	125,500	\$4,430,150,000	\$35,300	7.10%
2010	125,488	\$4,434,871,408	\$35,341	9.10
2009	125,380	\$3,985,816,000	\$31,800	11.10
2008	124,990	\$4,347,543,000	\$34,783	8.40
2007	125,399	\$3,971,135,532	\$31,668	5.40
2006	124,183	3,971,123,974	31,978	5.20
2005	123,889	3,762,261,152	30,368	5.60
2004	123,377	3,636,413,698	29,474	5.70
2003	122,340	3,547,737,660	28,999	5.40
2002	121,940	3,376,152,780	27,687	4.80

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



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

DEPARTMENT	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	2	2	2	2	2	2	2	2
Finance	3	3	3	3	3	2	2	2
Customer Service	11	5	5	6	6	6	5	5
Engineering	12	10	10	9	9	9	7	6
Operations	30	28	29	30	29	26	20	20
Total	58	488	49	50	49	45	36	35



Number of Employees

In 2011, the District assumed responsibility for billing approximately 6,800 customers that the City of Toledo had previously billed on behalf of the District

Years 2002 through 2003 data not available

Source: Northwestern Water and Sewer District



**NORTHWESTERN WATER AND SEWER DISTRICT
DEMOGRAPHICS STATISTICS
DECEMBER 31, 2011**

WATER SYSTEM

Miles of Potable Water Main	392
Total Water Connections	14,375
Number of Fire Hydrants	3,447
Water Towers	6
Number of WaterShed/Bulk Water Stations	11

SEWER SYSTEM

Miles of Sewer Lines	304
Total Sewer Connections	15,944
Number of Pump Stations	60
Number of Treatment Plants	8
Number of Manholes	5,346

GENERAL INFORMATION

Population Served (Estimated)	42,500
Number of Employees	58

Source: Northwestern Water and Sewer District

Cover photo: Bulk Water Station at the CSX Intermodal Facility
Photo by John Sopko

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www.nwwsd.org



Dave Yost • Auditor of State

NORTHWESTERN WATER AND SEWER DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2012**