

# **REPORT**

**CLERMONT COUNTY SEWER DISTRICT**

**REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING**

**for the year ended December 31, 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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The Honorable Board of County Commissioners of  
Clermont County  
2379 Clermont Center Drive  
Batavia, Ohio 45103

We have reviewed the Independent Auditor's Report of the Clermont County Sewer District, Hamilton County, prepared by Foxx & Company, for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

July 30, 2001

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**CLERMONT COUNTY SEWER DISTRICT**  
**REPORT ON COMPLIANCE AND INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING**

**for the year ended December 31, 2000**

| <b>TABLE OF CONTENTS</b> | <b>PAGE</b> |
|--------------------------|-------------|
|--------------------------|-------------|

---

|   |   |
|---|---|
| Report on Compliance and on Internal Control over Financial Reporting<br>Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> ..... | 1 |
|---|---|

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Foxx & Company  
Certified Public Accountants

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

The Honorable Board of County Commissioners  
Clermont County, Ohio

We have audited the financial statements of the Clermont County Sewer District, Water and Sewer Systems, as of and for the year ended December 31, 2000, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

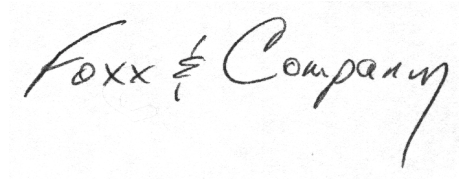
**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

A handwritten signature in black ink that reads "Foxx & Company". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Company".

Cincinnati, Ohio  
March 29, 2001



# **REPORT**

## **AUDIT OF FINANCIAL STATEMENTS**

for

## **CLERMONT COUNTY SEWER DISTRICT**

### ***SEWER SYSTEM***

for the years ended December 31, 2000 and 1999



# TABLE OF CONTENTS

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|  | <u>Page</u> |
|--|-------------|
| <b>FINANCIAL STATEMENTS:</b>                                     |             |
| Independent Auditors' Report .....                               | 1           |
| Management's Discussion and Analysis .....                       | 3           |
| Statements of Net Assets .....                                   | 9           |
| Statements of Revenues, Expenses and Changes in Net Assets ..... | 11          |
| Statements of Cash Flows .....                                   | 12          |
| Notes to Financial Statements .....                              | 13          |

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Foxx & Company  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Board of County Commissioners  
Clermont County, Ohio:

We have audited the accompanying financial statements of the Clermont County Sewer District (District), Sewer System, Batavia, Ohio, as of and for the years ended December 31, 2000 and 1999 as listed in the table of contents. 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 generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

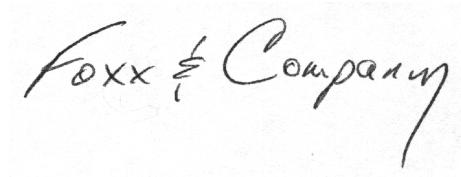
As discussed in Note 1, the financial statements present only the Sewer System and are not intended to present fairly the financial position of Clermont County, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

As described in Note 11, the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 34 as of and for the year ended December 31, 2000. Also, as described in Note 12, the District changed its capitalization policy for fixed assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clermont County Sewer District, Sewer System, as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion on pages 3 to 6, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Foxx & Company". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Company".

Cincinnati, Ohio  
March 29, 2001

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Clermont County Sewer District's Sewer System's financial performance provides an overview of the System's financial activities for the fiscal year ended December 31, 2000.

### **FINANCIAL HIGHLIGHTS**

- ! The Sewer System's net assets increased by \$9.1 million or 7.9% in 2000.
- ! The Board of County Commissioners adopted a change in the fixed asset policy that increased the level for a capitalized asset from \$200 to \$5,000. A net reduction of \$0.7 Million to the System's assets has been made to reflect this change.
- ! The operations of the Sewer System were turned over to a contract operator on March 1, 2000. The Board of County Commissioners adopted a 8.5% rate decrease that became effective October 1, 2000 to share, with the rate payers, some of the anticipated savings that were to accrue from the operations contract.
- ! During the year, the System generated \$1.8 million from operations and \$1.0 million from other financing activities, principally a favorable market value on held investments which resulted in \$.7 million.
- ! The operating income was up 5.8%, or \$99 thousand from 1999 as a result of a reduction in expenses of \$333 thousand.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets (Pages 9-10) and the Statement of Revenue, Expenses and Changes in Net Assets (page 11), previously called the Balance Sheet and Income Statement, provide information about the activities of the Sewer System and present a longer-term view of the System's finances. The Statement of Net Assets includes all of the System's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). You will need to consider other nonfinancial factors, however, such as conditions of the capital assets, to assess the overall health of the Sewer System. All of the current years revenues and expenses are accounted for in the Statement of Revenues, Expenses and Net Assets. This statements measures the success of the System's operations over the past year and can be used to determine whether the System has successfully recovered all its costs through its user fees and other charges. These statements report all assets and liabilities using the accrual basis of accounting. All of the current years revenues and expenditures are taken into account regardless of when cash is received or paid. The final financial statement is the Statement of Cash Flow (Page 12). The primary purpose of this statement is to provide information about the System's cash receipts, cash payments and net changes

in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

**SYSTEM SUMMARY**

The Sewer System’s total net assets increased from \$115.9 million to \$125.0 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System.

Net assets of the System increased by 7.9%. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements-increased by \$7.8 million in 2000. Restricted assets-those restricted mainly for capital projects and bond covenants-increased by \$0.3 million. The investment in capital assets, net

**Table 1  
Net Assets (in Millions)**

| <b>Sewer System</b>                     | <b>1999</b>      | <b>2000</b>      |
|---|------------------|------------------|
| Current and Other Assets                | \$ 51.9          | \$ 60.5          |
| Capital Assets                          | \$ 117.3         | \$116.7          |
| <b>Total Assets</b>                     | <b>\$169.2</b>   | <b>\$177.2</b>   |
| Long Term Debt Outstanding              | (\$ 50.5)        | (\$ 48.9)        |
| Other Liabilities                       | (\$ 2.8)         | (\$ 3.3)         |
| <b>Total Liabilities</b>                | <b>(\$ 53.3)</b> | <b>(\$ 52.2)</b> |
| <b>Net Assets:</b>                      |                  |                  |
| Invested in capital assets, net of debt | \$ 66.8          | \$ 67.8          |
| Restricted                              | \$ 6.4           | \$ 6.7           |
| Unrestricted (deficit)                  | \$ 42.7          | \$ 50.5          |
| <b>Total Net Assets</b>                 | <b>\$ 115.9</b>  | <b>\$ 125.0</b>  |

of debt increased by only \$1.0 million. This increase reflects capital assets financed primarily from the System’s net assets of which a part (\$7.0 million) came from capital contributions in the form of system capacity fees, donated assets, assessments and grants. The change in the fixed asset policy reduced the 2000 investment by \$0.7 million.



While the Statement of Net Assets shows the change in the financial position of the net assets, the Statement of Revenues, Expenses, and Net Assets provides answers as to the nature and source of these changes. As seen in table 2, below, the Sewer System's income before capital contributions of \$2.2million and capital contributions of \$6.9 million were the two sources of the increase in net assets of \$9.1million in 2000. Operating revenues decreased by 2.2% (\$0.3 million) from 1999 to 2000 as a result of a reduced level of metered sales due to a wet season and a 8.5% reduction in rates effective October 1, 2001. Non-Operating revenues were up \$1.7 million as a result of a favorable market which provided for an increase in interest income of \$0.9 million.

## Table 2 Change in Net Assets (in Millions)

| Sewer System                               | 1999           | 2000           |
|--|----------------|----------------|
| Operating Revenues                         | \$ 14.0        | \$ 13.7        |
| Non-Operating Revenues                     | 1.9            | 3.6            |
| <b>Total Revenues</b>                      | <b>\$ 15.9</b> | <b>\$ 17.3</b> |
| Operating Expenses                         | \$ 6.2         | \$ 6.0         |
| Depreciation Expense                       | 6.1            | 5.9            |
| Other Expenses                             | 3.4            | 3.2            |
| <b>Total Expenses</b>                      | <b>\$ 15.7</b> | <b>\$ 15.1</b> |
| <b>Income before Capital Contributions</b> | <b>\$ 0.2</b>  | <b>\$ 2.2</b>  |
| <b>Capital Contributions</b>               | <b>\$ 5.3</b>  | <b>\$ 6.9</b>  |
| Increase(Decrease) in Net Assets           | \$ 5.5         | \$ 9.1         |

Total expenses reflected a reduction of 3.8% in 2000. A \$0.2 million reduction in operating expenses was due to the savings of contract operations which began March 1, 2001 and runs for a five year period. The reduction of \$0.3 million in depreciation expense was due to the change in the capital asset policy. Contributions rose by \$1.6 million as a result of assessments of two construction projects and a \$ 0.6 increase in donated assets throughout the year.

This page lists financial ratios that should be used to assess the financial stability of the System over an extended period of time. The balance of Working Capital demonstrates the continuing ability to

## Sewer System Financial Ratios (dollars in thousands)

| Ratio                     | 1996     | 1997     | 1998     | 1999     | 2000     |
|---------------------------|----------|----------|----------|----------|----------|
| Working Capital           | \$22,366 | \$29,455 | \$33,905 | \$39,887 | \$48,118 |
| Current Ratio             | 21.0     | 32.2     | 34.2     | 47.1     | 91.2     |
| Days Cash & Investments   | 1218     | 1419     | 1698     | 2038     | 2436     |
| Liabilities to Net Assets | 57%      | 53%      | 49%      | 46%      | 42%      |
| Return on Assets          | 1%       | 1%       | 2%       | 2%       | 3%       |
| Days in Receivable        | 64       | 60       | 65       | 65       | 67       |

**Working Capital** is the amount by which current assets exceed current liabilities.

**Current Ratio** compares current assets to current liabilities and is an indicator of the ability to pay current obligations.

**Days Cash & Investments** represents the number of days normal operations could continue with no revenue collection

**Liabilities to Net Assets** indicated the extent of borrowings.

**Return on Assets from Operations** illustrates to what extent there will be sufficient funds to replace assets in the future.

**Days in Receivables** determines how many days it takes to collect amount billed to customers.

finance operations with cash. The growth of the Current Ratio and the reduction in the Liabilities to Net Assets ratio demonstrate the fact that the System has not financed its Working Capital with an increasing proportion of debt. The stability in Days in Receivable demonstrate that the increase in Days Cash and Investment in Reserve is not being financed by a reduction in receivables.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2000, the Sewer System had \$192.5 million invested in capital assets including sewer lines, pump stations, and treatments plants. This amount represents a net increase of \$4.0 million (including additions, deletions and adjustments for the policy change).

| <b>Capital Assets at Year End 1999 &amp; 2000</b><br><b>(Net of Depreciation, in millions)</b> | <b><u>1999</u></b> | <b><u>2000</u></b> |
|--|--------------------|--------------------|
| Land   | \$ 2.6             | \$ 2.6             |
| Structures   | 42.9               | 42.8               |
| Machinery (Infrastructure)   | 136.7              | 138.7              |
| Furniture  | 0.6                | 0.5                |
| Autos/Trucks   | 1.4                | 1.2                |
| Construction in Progress   | <u>4.3</u>         | <u>6.7</u>         |
| Subtotal Capital Assets  | \$ 188.5           | \$192.5            |
| Accumulated Depreciation   | <u>( 71.3)</u>     | <u>( 75.8)</u>     |
| Total Capital Assets   | \$ 117.2           | \$ 116.7           |

The year's major additions included:

\$2.4 Million of sewerlines donated by developers

\$0.6 Million of effort related to Project XL

\$0.3 Million for the Systems's share of GIS System Cost

The Sewer System's 2001 capital budget anticipates a spending level of \$19.4 million for capital projects. The District has located some grants and loans (approx \$0.7 million) to help fund some of these expenditures.

## Debt

At year end, 2000, the System had \$50.5 million in bonds and loans outstanding, a decrease of \$1.5 million or 3% from 1999.

| <b>Outstanding Debt, at Year-End 2000</b><br><b>(in millions)</b> | <b><u>1999</u></b> | <b><u>2000</u></b> |
|---|--------------------|--------------------|
| 1993 Revenue Bonds  | \$ 41.8            | \$ 40.7            |
| 1984 Revenue Bonds  | 4.9                | 4.8                |
| OWDA Loans  | 2.1                | 2.0                |
| OPWC Loans  | <u>3.2</u>         | <u>3.0</u>         |
| Total Outstanding Debt  | \$ 52.0            | \$ 50.5            |

One area that demonstrates the System's financial strength and future borrowing capability is seen in its debt coverage ratio, which is currently a strong 398%. The impact of this is that the System has the ability and the capacity to finance additional debt.

**Debt Coverage Ratio**  
**(in millions)**

|  |                |
|--|----------------|
| Income from Operations   | \$ 2.9         |
| Add Items to convert income from operations to pledged revenues: |                |
| Interest Paid on Bonds   | 2.4            |
| Depreciation Expense   | 5.9            |
| System Capacity Charges  | <u>3.0</u>     |
| Net Pledged Revenues   | <u>\$ 14.2</u> |
| Debt Service Requirement during 2000                             | <u>\$ 3.6</u>  |
| Coverage Ratio   | <u>398%</u>    |
| Required Coverage Ratio  | <u>110%</u>    |

**CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors and creditors with a general overview of the Sewer System's finances. If you have any questions about this report or need additional financial information, contact the Controller, Clermont County Sewer District, 101 East Main Street, Batavia, Ohio, 45103.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
STATEMENT OF NET ASSETS  
December 31, 2000 and 1999**

**ASSETS**

|   | <u>2000</u>            | <u>1999</u>            |
|---|------------------------|------------------------|
| <b>Current assets:</b>  |                        |                        |
| Equity in pooled cash and cash equivalents  | \$ 4,637,771           | \$ 4,505,098           |
| Held by Trustees:   |                        |                        |
| Cash equivalents in segregated accounts   | 3,890,996              | 2,405,848              |
| Investments in segregated accounts  | 37,539,690             | 31,324,964             |
| Accounts receivable (net of allowance for doubtful<br>accounts of \$48,831 for 2000; \$30,923 for 1999) | 2,510,646              | 2,473,501              |
| Inventory of supplies at cost   | <u>72,510</u>          | <u>41,973</u>          |
| <br><b>Total current assets</b>   | <br><u>48,651,613</u>  | <br><u>40,751,384</u>  |
| <br><b>Noncurrent assets:</b>   |                        |                        |
| Restricted assets:  |                        |                        |
| Equity in pooled cash and cash equivalents  | 1,800                  | -                      |
| Held by Trustees:   |                        |                        |
| Cash and cash equivalents   | 472,090                | 500,114                |
| Investments   | 8,173,825              | 7,647,828              |
| Retainage accounts  | 56,055                 | 39,208                 |
| Accrued interest  | 673,907                | 162,014                |
| Capital assets:   |                        |                        |
| Land  | 2,634,413              | 2,649,150              |
| Structures  | 42,801,797             | 42,892,162             |
| Machinery   | 138,743,199            | 136,718,510            |
| Furniture   | 517,368                | 634,210                |
| Autos and trucks  | 1,164,601              | 1,360,135              |
| Less: Accumulated depreciation  | (75,815,477)           | (71,253,534)           |
| Construction in progress  | 6,684,026              | 4,274,548              |
| Unamortized financing costs   | 1,024,713              | 1,073,509              |
| Loans receivable  | 965,836                | 990,760                |
| Interfund receivable  | 429,436                | 501,009                |
| Grants Receivable   | <u>-</u>               | <u>210,102</u>         |
| <br><b>Total noncurrent assets</b>  | <br><u>128,527,589</u> | <br><u>128,399,725</u> |
| <br><b>Total assets</b>   | <br><u>177,179,202</u> | <br><u>169,151,109</u> |

(continued)

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
STATEMENT OF NET ASSETS  
(continued)  
December 31, 2000 and 1999**

**LIABILITIES**

|                                     | <u>2000</u>       | <u>1999</u>       |
|-------------------------------------|-------------------|-------------------|
| <b>Current liabilities:</b>         |                   |                   |
| Accounts payable                    | \$ 441,555        | \$ 389,603        |
| Accrued wages and benefits          | <u>92,012</u>     | <u>475,150</u>    |
| <b>Total current liabilities</b>    | <u>533,567</u>    | <u>864,753</u>    |
| <b>Noncurrent liabilities:</b>      |                   |                   |
| Payable from restricted assets:     |                   |                   |
| Current portion of long-term debt   | 1,551,006         | 1,493,802         |
| Accounts payable                    | 854,025           | 187,742           |
| Accrued interest payable            | 192,290           | 196,595           |
| Retainage payable                   | 56,055            | 39,208            |
| Maintenance bond payable            | 35,050            | 35,525            |
| Long-term debt                      | <u>48,949,040</u> | <u>50,450,508</u> |
| <b>Total noncurrent liabilities</b> | <u>51,637,466</u> | <u>52,403,380</u> |
| <b>Total liabilities</b>            | <u>52,171,033</u> | <u>53,268,133</u> |

**NET ASSETS**

|   |                      |                      |
|---|----------------------|----------------------|
| Invested in capital assets, net of related debt | 67,780,887           | 66,824,673           |
| Restricted for debt service                     | 6,724,301            | 6,431,817            |
| Unrestricted                                    | <u>50,502,981</u>    | <u>42,626,486</u>    |
| <b>Total net assets</b>                         | <u>\$125,008,169</u> | <u>\$115,882,976</u> |

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
for the years ended December 31, 2000 and 1999**

|   | <u>2000</u>          | <u>1999</u>          |
|---|----------------------|----------------------|
| <b>Operating revenues:</b>  |                      |                      |
| Charges for services  | \$ 13,749,064        | \$ 14,019,514        |
| All other revenues  | <u>38,415</u>        | <u>2,259</u>         |
| <b>Total operating revenues</b>   | <u>13,787,479</u>    | <u>14,021,773</u>    |
| <b>Operating expenses:</b>  |                      |                      |
| Personnel services  | 929,021              | 2,891,914            |
| Contractual services  | 4,596,713            | 1,084,463            |
| Maintenance and repair  | 165,036              | 370,364              |
| Utilities   | 287,819              | 1,156,779            |
| Materials and supplies  | 38,308               | 639,119              |
| Depreciation  | 5,940,732            | 6,146,990            |
| Other   | <u>17,908</u>        | <u>19,146</u>        |
| <b>Total operating expenses</b>   | <u>11,975,537</u>    | <u>12,308,775</u>    |
| <b>Operating income</b>   | <u>1,811,942</u>     | <u>1,712,998</u>     |
| <b>Nonoperating revenues (expenses):</b>  |                      |                      |
| Interest income   | 2,831,247            | 1,920,525            |
| Change in fair value of investments   | 737,399              | (801,036)            |
| Interest expense  | (2,532,147)          | (2,588,170)          |
| Other expense   | (6,960)              | -                    |
| Gain on sale of fixed assets  | <u>9,474</u>         | <u>-</u>             |
| <b>Total nonoperating revenues (expenses)</b>                                     | <u>1,039,013</u>     | <u>(1,468,681)</u>   |
| <b>Income from operations</b>   | 2,850,955            | 244,317              |
| Cumulative effect on prior years of accounting change                             | <u>(677,686)</u>     | <u>-</u>             |
| <b>Income before contributions</b>  | 2,173,269            | 244,317              |
| Capital contributions   | <u>6,951,924</u>     | <u>5,311,613</u>     |
| <b>Change in net assets</b>   | 9,125,193            | 5,555,930            |
| <b>Total net assets, beginning</b>  | <u>115,882,976</u>   | <u>110,327,046</u>   |
| <b>Total net assets, ending</b>   | <u>\$125,008,169</u> | <u>\$115,882,976</u> |
| <b>Pro forma amounts assuming capitalized asset policy applied retroactively:</b> |                      |                      |
| Income from operations  | <u>\$ 2,850,955</u>  | <u>\$ 419,361</u>    |
| Change in net assets  | <u>\$ 9,802,879</u>  | <u>\$ 5,730,974</u>  |

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2000 and 1999**

|   | <u>2000</u>         | <u>1999</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                     |
| Receipts from customers   | \$ 13,711,919       | \$ 13,898,199       |
| Payments to suppliers   | (5,084,369)         | (3,267,999)         |
| Payments to employees   | (1,312,159)         | (3,005,068)         |
| Other receipts  | <u>38,415</u>       | <u>2,259</u>        |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>7,353,806</u>    | <u>7,627,391</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |                     |                     |
| Proceeds from assessments   | 953,979             | -                   |
| Maintenance bond receipts   | 3,900               | 10,325              |
| Maintenance bond payments   | (4,375)             | -                   |
| OPWC grants received  | 743,070             | -                   |
| Proceeds from OPWC loans  | 24,924              | -                   |
| Principal and interest paid on long-term debt   | (3,931,920)         | (3,999,617)         |
| Construction of capital asset   | (2,956,227)         | (2,545,687)         |
| Retainage receipts  | 51,494              | 10,471              |
| Retainage payments  | (34,647)            | -                   |
| Proceeds from sale of fixed assets  | 86,113              | 71,573              |
| System capacity charges   | <u>3,002,297</u>    | <u>3,225,579</u>    |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        | <u>(2,061,392)</u>  | <u>(3,227,356)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                     |
| Investment purchases  | (37,612,073)        | (36,195,984)        |
| Investment sales  | 31,608,749          | 29,127,013          |
| Interest received on investments  | <u>2,319,354</u>    | <u>1,872,956</u>    |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                                 | <u>(3,683,970)</u>  | <u>(5,196,015)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | 1,608,444           | (795,980)           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                   | <u>7,450,268</u>    | <u>8,246,248</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u>\$ 9,058,712</u> | <u>\$ 7,450,268</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                     |                     |
| Income from operations  | \$1,811,942         | \$1,712,998         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization   | 5,940,732           | 6,146,990           |
| Change in assets and liabilities:   |                     |                     |
| Net change in customer accounts receivable  | (37,145)            | (121,315)           |
| Net change in inventory   | (30,537)            | (1,762)             |
| Net change in prepaid expenses  | -                   | 47,696              |
| Net change in operating accounts payable  | 51,952              | (44,062)            |
| Net change in accrued payroll and related expenses                                      | <u>(383,138)</u>    | <u>(113,154)</u>    |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>\$7,353,806</u>  | <u>\$7,627,391</u>  |
| <b>NON-CASH TRANSACTIONS:</b>   |                     |                     |
| Contributions from developers   | <u>\$2,435,720</u>  | <u>\$1,875,932</u>  |

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



**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**1. Summary of Significant Accounting Policies**

**A. Organization**

The Clermont County Sewer District (District), which includes a waterworks system and a sewer system, operates as a separate proprietary or individual enterprise fund under the direction of the Clermont County Board of Commissioners. The financial statements covering the waterworks system are issued separately from the sewer system. The County issues a separate Comprehensive Annual Financial Report which contains this sewer system as a separate enterprise fund of the County.

The customers serviced by the District are located primarily within Clermont County with a small portion located in Hamilton County. Customers consist of residential, industrial, and commercial accounts.

**B. Basis of Accounting**

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. In accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**C. Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost and updated for the cost of additions and retirements during the year. Routine maintenance and repairs are expensed as incurred. Contributed fixed assets are recorded at their fair market values as of the date donated, and depreciation on those assets is included in the Statements of Revenue and Expenses. Interest during construction is capitalized until substantial completion of the project. Depreciation is computed on the straight-line basis over the estimated useful life of the asset as follows:

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

| Description                                  | Estimated<br>Lives<br>(Years) |
|--|-------------------------------|
| Autos and trucks                             | 3-5                           |
| Machinery, equipment, furniture and fixtures | 5-20                          |
| Sewer treatment plants and structures        | 20-50                         |
| Collection mains                             | 50                            |

**D. Inventory**

Supplies, materials, and fuel are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

**E. Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

**F. Unamortized Financing Costs**

The unamortized financing costs include bond discounts, consulting fees, and attorney's fees incurred in connection with the revenue bond obligations. These costs are capitalized and are amortized on the straight-line method over the lives of the revenue bonds and are included as interest expense. The amount amortized amounted to \$48,796 in 2000 and 1999.

**G. Insurance**

The District participates in Ohio Workers' Compensation and Ohio State Unemployment programs. The District maintains insurance coverage for liability and property damage through policies with private carriers.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**H. Investments**

In accordance with GASB Statement 31, investments are recorded at fair value as stated by the District's investment Trustees.

**I. Compensated Absences**

A liability is provided for accumulated unpaid sick, vacation and compensated time benefits when earned by employees. Ohio law requires that vacation time not be accumulated for more than three years. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Unused vacation is payable upon termination of employment. Unused sick time may be accumulated until retirement. Employees eligible to retire, with a minimum of ten years of service, are paid one-fourth of accumulated sick time upon retirement. However, if employees earned sick leave prior to January 23, 1984, they are eligible for 100 percent conversion.

Such payment may not exceed the value of thirty days of accrued but unused sick leave. In general, employees are eligible to be paid for unused compensation time upon termination of employment. Sick, vacation and compensation payments are made at the employee's current wage rate.

**J. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding long-term debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by county legislation or external restrictions by other governments, creditors or grantors.

**K. System Capacity Charges**

System capacity charges are recorded as contributed capital as they represent one-time charges to customers for the privilege of accessing the sewer system.

**L. Loans Receivable**

Loans Receivable represent OPWC loans where the District has entered into a loan agreement but has not drawn down all loan proceeds due to the interim status of the related

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

construction project. The loan terms require the District to initiate loan payments even though the project is not completed and all loan proceeds have not been drawn down.

**2. Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments at December 31, 2000 are summarized below:

|  | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u>  | <u>Total</u>        |
|--|--------------------------------------|---------------------|---------------------|
| Held by the Clermont County Treasurer:       |                                      |                     |                     |
| Unrestricted pooled cash, revenue account    | \$4,637,771                          | -                   | \$ 4,637,771        |
| Restricted pooled cash, construction account | 1,800                                | -                   | 1,800               |
| Retainage accounts                           | 56,055                               | -                   | 56,055              |
| Amounts held by trustees:                    |                                      |                     |                     |
| Construction account                         | 250,030                              | 1,087,563           | 1,337,593           |
| Bond account                                 | 164,821                              | 3,646,630           | 3,811,451           |
| Replacement and improvement account          | 57,239                               | 3,439,632           | 3,496,871           |
| Surplus account                              | <u>3,890,996</u>                     | <u>37,539,690</u>   | <u>41,430,686</u>   |
| Total  | <u>\$9,058,712</u>                   | <u>\$45,713,515</u> | <u>\$54,772,227</u> |

Cash, cash equivalents and investments at December 31, 1999 are summarized below:

|   | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u>  | <u>Total</u>        |
|---|--------------------------------------|---------------------|---------------------|
| Held by the Clermont County Treasurer:    |                                      |                     |                     |
| Unrestricted pooled cash, revenue account | \$4,505,098                          | \$ -                | \$ 4,505,098        |
| Retainage accounts                        | 39,208                               | -                   | 39,208              |
| Amounts held by trustees:                 |                                      |                     |                     |
| Construction account                      | 275,570                              | 976,628             | 1,252,198           |
| Bond account                              | 137,475                              | 3,535,813           | 3,673,288           |
| Replacement and improvement account       | 87,069                               | 3,135,387           | 3,222,456           |
| Surplus account                           | <u>2,405,848</u>                     | <u>31,324,964</u>   | <u>33,730,812</u>   |
| Total                                     | <u>\$7,450,268</u>                   | <u>\$38,972,792</u> | <u>\$46,423,060</u> |

*Pooled Cash held by Clermont County Treasurer*

Operating and construction account funds, except for trustee funds described below, are controlled on the District's behalf by the Clermont County Treasurer's Office (County). Cash is deposited into bank accounts of the County for which the County Treasurer maintains accountability. The pooled cash of the County includes the proportionate share belonging to

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

the District. The County is responsible for the collateralization of pooled cash balances belonging to the District. The collateralization of County funds is discussed in the County's 2000 Comprehensive Annual Financial Report.

*Retainage Accounts*

Retainage accounts represent bank deposit accounts controlled by the District. All of these accounts represent cash retained from construction contractor payments until satisfactory completion of projects. The District's and the contractor's approval are required before funds can be released. Individual retainage accounts are collateralized by insurance provided by the Federal Deposit Insurance Corporation up to \$100,000. Any excess is collateralized through the use of the Federal Reserve book entry system to hold U.S. Government securities as collateral. The securities are registered in the name of the financial institution, not in the name of the District. As of December 31, 2000 retainage accounts totaled \$56,055, all of which was covered by FDIC Insurance.

*Amounts Held by Trustees*

Bond legislation requires the establishment of various accounts to be held by trustees. The District may invest these funds in direct obligations of the United States of America or highest rated bonds, notes or other evidences of indebtedness having maturity dates no longer than five years from the date of such investment.

Trustee account investments at December 31, 2000 are categorized according to credit risk into the following categories: (1) insured or registered, or securities held by the District's or its agent (bank trust department) in the District's name; or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; or (3) uninsured, unregistered securities held by the counterparty, or its trust department or agent but not in the District's name. Money market funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

|                                 | <u>Category</u><br><u>2</u> | <u>Reported</u><br><u>Amount</u> | <u>Fair</u><br><u>Value</u> |
|---------------------------------|-----------------------------|----------------------------------|-----------------------------|
| <b>Categorized Investments:</b> |                             |                                  |                             |
| U.S. Treasury Notes             | \$38,210,187                | \$38,210,187                     | \$ 38,210,187               |
| U.S. Treasury Bills             | 7,503,328                   | 7,503,328                        | 7,503,328                   |
| Money Market Funds              | <u>-</u>                    | <u>4,363,086</u>                 | <u>4,363,086</u>            |
| Total                           | <u>\$45,713,515</u>         | <u>\$50,076,601</u>              | <u>\$50,076,601</u>         |

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**3. Restrictions on Assets**

The Trust Agreement for the Revenue Bonds requires the establishment of certain trust accounts, including a Bond Account, Bond Reserve Account, Replacement and Improvement Account, Construction Account, and a Surplus Account. Cash and investments in the accounts are held by trustee financial institutions.

The Bond Account is used to accumulate periodic principal and interest payments. The Bond Reserve Account is to be funded in an amount equal to the maximum annual bond principal and interest requirement. The Replacement and Improvement Account is to be maintained with a balance equal to the greater of five percent of the amount of bonds outstanding or \$2,000,000. The Surplus Account accumulates any remaining net revenues which are available for several purposes at the direction of the County Commissioners. The Construction Account is established to pay for project costs.

**4. Property, Plant and Equipment**

The following summarizes the changes to property plant and equipment during 2000.

|   | Balance<br>January 1,<br><u>2000*</u> | <u>Additions</u>   | <u>Deletions</u> | Balance<br>December 31,<br><u>2000</u> |
|---|---------------------------------------|--------------------|------------------|--|
| Land  | \$ 2,634,413                          | \$ -               | \$ -             | \$ 2,634,413                           |
| Structure                                       | 42,801,797                            | -                  | -                | 42,801,797                             |
| Machinery                                       | 135,074,447                           | 3,668,752          | -                | 138,743,199                            |
| Furniture                                       | 517,368                               | -                  | -                | 517,368                                |
| Autos and trucks                                | <u>1,284,152</u>                      | <u>-</u>           | <u>119,551</u>   | <u>1,164,601</u>                       |
|   | <u>\$182,312,177</u>                  | <u>\$3,668,752</u> | <u>\$119,551</u> | 185,861,378                            |
| Accumulated depreciation                        |                                       |                    |                  | <u>(75,815,477)</u>                    |
| Net property, plant and equipment               |                                       |                    |                  | <u>\$110,045,901</u>                   |
| Construction in progress as of January 1, 2000  |                                       |                    |                  | \$ 4,274,548                           |
| Additions                                       |                                       |                    |                  | 3,531,793                              |
| Construction projects closed                    |                                       |                    |                  | <u>(1,122,315)</u>                     |
| Construction in progress as of December 31, 200 |                                       |                    |                  | <u>\$ 6,684,026</u>                    |

\* January 1, 2000 balances reflect the District's new capitalization policy (see Note 12).

Assets contributed by developers and others in 2000 amounted to \$2,435,720.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**5. Long-Term Debt**

For the year ended December 31, 2000, changes in long-term debt consisted of the following:

|                        | <u>Interest<br/>Rate</u> | <u>Maturity</u> | <u>Balance<br/>January 1,<br/>2000</u> | <u>Additions</u> | <u>Deletions</u>   | <u>Balance<br/>December 31,<br/>2000</u> | <u>Interest<br/>Paid During<br/>2000</u> |
|------------------------|--------------------------|-----------------|--|------------------|--------------------|--|--|
| Notes payable:         |                          |                 |  |                  |                    |  |  |
| Ohio Water Development |                          |                 |  |                  |                    |  |  |
| Authority Notes        | 5.20-6.5%                | 2014            | \$ 2,087,808                           | \$ -             | \$ 113,929         | \$ 1,973,879                             | \$ 111,243                               |
| Loans payable:         |                          |                 |  |                  |                    |  |  |
| OPWC                   | 0-2.00%                  | 2019            | 3,156,502                              | -                | 120,335            | 3,036,167                                | 17,273                                   |
| Revenue bonds:         |                          |                 |  |                  |                    |  |  |
| 1984                   | 5%                       | 2024            | 4,925,000                              | -                | 105,000            | 4,820,000                                | 246,250                                  |
| 1993                   | 2.6-5.2%                 | 2021            | <u>41,775,000</u>                      | <u>-</u>         | <u>1,105,000</u>   | <u>40,670,000</u>                        | <u>2,112,890</u>                         |
| Total                  |                          |                 | <u>\$51,944,310</u>                    | <u>\$ -</u>      | <u>\$1,444,264</u> | 50,500,046                               | <u>\$2,487,656</u>                       |
| Less current portion   |                          |                 |  |                  |                    | <u>(1,551,006)</u>                       |  |
| Long-term portion      |                          |                 |  |                  |                    | <u>\$48,949,040</u>                      |  |

Principal payments on long-term debt for the next five years and thereafter are as follows:

| <u>Year</u> | <u>OWDA<br/>Notes</u> | <u>OWDA<br/>Note<br/>Interest</u> | <u>OPWC<br/>Loans</u> | <u>OPWC<br/>Loans<br/>Interest</u> | <u>Revenue<br/>Bonds</u> | <u>Revenue<br/>Bond<br/>Interest</u> | <u>Total</u>        |
|-------------|-----------------------|-----------------------------------|-----------------------|------------------------------------|--------------------------|--------------------------------------|---------------------|
| 2001        | 120,115               | 105,056                           | 170,891               | 16,256                             | 1,260,000                | 2,307,480                            | 3,979,798           |
| 2002        | 126,639               | 98,532                            | 171,929               | 15,217                             | 1,315,000                | 2,252,530                            | 3,979,847           |
| 2003        | 133,519               | 91,652                            | 172,988               | 14,158                             | 1,370,000                | 2,193,980                            | 3,976,297           |
| 2004        | 140,776               | 84,396                            | 174,069               | 13,078                             | 1,435,000                | 2,131,730                            | 3,979,049           |
| 2005        | 148,428               | 76,744                            | 175,171               | 11,976                             | 1,500,000                | 2,065,220                            | 3,977,539           |
| Thereafter  | <u>1,304,402</u>      | <u>285,858</u>                    | <u>2,171,119</u>      | <u>54,385</u>                      | <u>38,610,000</u>        | <u>19,495,530</u>                    | <u>61,921,294</u>   |
|             | <u>\$1,973,879</u>    | <u>\$742,238</u>                  | <u>\$3,036,167</u>    | <u>\$125,070</u>                   | <u>\$45,490,000</u>      | <u>\$30,446,470</u>                  | <u>\$81,813,824</u> |

Notes payable at December 31, 2000, consist of \$1,973,879 due to the Ohio Water Development Authority. Payments of principal and interest are payable semi-annually through 2014 and include interest at rates ranging from 5.20 percent to 6.50 percent per annum.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

OPWC loans payable at December 31, 2000, consist of \$3,036,167 due to the Ohio Public Works Commission. Payments of principal and interest are payable semi-annually through 2019 and include interest at rates ranging from 0 to 2 percent per annum.

The District issued Sewer System Refunding Revenue Bonds, Series 1993, dated September 1, 1993, to advance refund the outstanding Series 1977, Series 1979, Series 1989 (maturing after 1995), Series 1990 and Series 1991 sewer revenue bonds of the County. The Series 1993 bonds mature on December 1 in various amounts ranging from \$1,150,000 in 2001 to \$18,480,000 in 2021, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 2.6 percent to 5.2 percent per annum, is payable semi-annually on June 1 and December 1. The District is to provide funding for the retirement of principal amounts when they mature by funding the Bond Account in varying amounts ranging from \$1,150,000 in 2001 to \$3,060,000 in 2021.

The Series 1984 bonds mature on December 1 in various amounts ranging from \$110,000 in 2001 to \$335,000 in 2024. Interest, at 5 percent per annum, is payable semi-annually on June 1 and December 1. The District provides funding for the retirement of principal amounts when they mature by funding the trustee Bond account on a monthly basis.

The revenue bond issues are subject to optional redemption in whole or in part at various redemption prices plus accrued interest for portions maturing at various times in the future. In addition, portions of these issues are subject to mandatory sinking fund redemption prior to maturing, from funds in the bond account created by the Bond Legislation through by the Trustee without action by the County.

Bond Legislation provides that the County will charge rates for the services and facilities of the system sufficient for the excess of revenues over expenditures to equal not less than 110 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).



**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

The coverage ratio computed under the Bond Legislation utilizing the 110 percent level is as follows:

|  |                         |
|--|-------------------------|
| Income from operations   | \$ 2,850,955            |
| Add items to convert income from operations to pledged revenues: |                         |
| Interest bonds (accrual basis)                                   | 2,354,835               |
| Deferred debt amortization                                       | 48,796                  |
| Depreciation expense   | 5,940,732               |
| System capacity charges  | <u>3,002,297</u>        |
| <br>Net pledged revenues   | <br><u>\$14,197,615</u> |
| <br>Debt service requirement during 2000                         | <br><u>\$ 3,569,140</u> |
| <br>Coverage ratio   | <br><u>398%</u>         |
| <br>Required coverage ratio                                      | <br><u>110%</u>         |

**6. Defeased Debt**

The District defeased various general obligation serial bonds and revenue serial bonds through refinancing and operations. Separate irrevocable trust funds were established and funded to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is not included in the financial statements.

At December 31, 2000 and 1999, the total amount of defeased debt outstanding amounted to \$14,650,000 and \$25,405,000, respectively.

**7. Other Contingent Liabilities**

Consent Order Dated November 7, 1989

The Office of the Ohio Attorney General brought suit on behalf of the Ohio Environmental Protection Agency relating to violations of the NPDES permits issued to the County. A consent order was placed on record on November 7, 1989 establishing certain time frames for construction of improvements to the facilities and establishing certain landmark dates for the completion of interim work.

Management of the District currently believes that the Sewer District is in compliance with the consent order.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

*Special Assessment Bonds*

The Ohio Revised Code provides for the issuance of special assessment bonds for sewer improvements. Under the Code, such special assessment obligations are issued by the Board of County Commissioners. As general obligation debt, the full faith, credit and revenue of the County has been pledged as security for the outstanding special assessment obligations. These bonds are reflected on the County's financial statements as general obligation bonds of the County.

If the special assessments are not paid by the taxpayers or prove to be insufficient to pay the debt service, it is the obligation of the County to pay the debt from whatever source of funds is available to it, including, but not limited to, the funds of the Sewer District. During 2000 and 1999 no payments were made by the District to the County's debt service fund.

**8. Pension and Retirement**

All District full-time employees participate in the Public Employees' Retirement System administered by the State of Ohio (State PERS). The plan is a cost-sharing, multiple-employer, public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085..

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the District was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The District's required contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$132,275, \$291,658 and \$365,964, respectively; 83 percent has been contributed for 2000 and 100 percent for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

***Other Post-Employment Benefits*** The Public Employees Retirement System of Ohio (PERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually

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

The number of active contributing participants was 401,339. The District's actual contributions for 2000 which were used to fund post employment benefits were \$52,471. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
SEWER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**9. Interfund Transactions**

The District is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2000 and 1999 were \$210,737 and \$203,672 respectively, and are classified as contractual services.

During 1997 the Board of County Commissioners approved the sale of certain fixed assets of the District to the general fund of the County. Payments for the assets are to be made over 10 years. The sale of the assets results in the District recognizing amounts due from other funds totalling \$429,436 and \$501,009 at December 31, 2000 and 1999, respectively.

**10. Plant Operations**

On February 10, 2000, the Board of County Commissioners approved contracts with vendors for the operations of both the water and sewer systems. The vendors are responsible for the daily operations of treatment plants, storage and distribution systems as well as customer billing and collections. Vendors will collect operating revenues on behalf of the District and will be paid a monthly lump sum amount for operating expenses.

**11. Prior Year Restatements**

In 2000, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 34 "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments." Statement No. 34 established new financial reporting requirements for all state and local governments. The effect of implementing Statement No. 34 for the District is the addition of management's discussion and analysis and revising the presentation of the District's financial statements.

**12. Change in Accounting Principles**

During 2000, the District changed its policy for capitalizing fixed assets by raising the capitalization threshold to \$5,000. The District has removed all items previously recorded with a value less than \$5,000 from fixed asset records and eliminated those items, and related accumulated depreciation, for reporting purposes. The effect of this change is to reduce

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
*SEWER SYSTEM*  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

amounts reported as fixed assets and accumulated depreciation at January 1, 2000 by a net amount totaling \$677,686.

The Statement of Revenues, Expenses and Changes in Net Assets reflects this new policy for the year ended December 31, 2000. The cumulative effect on prior years for this accounting change and pro forma amounts have been presented to provide comparative data as though the change had been applied to amounts previously reported.

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# **REPORT**

**AUDIT OF FINANCIAL STATEMENTS**

**for**

**CLERMONT COUNTY SEWER DISTRICT**

***WATER SYSTEM***

for the years ended December 31, 2000 and 1999





# TABLE OF CONTENTS

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|  | <u>Page</u> |
|--|-------------|
| <b>FINANCIAL STATEMENTS:</b>                                     |             |
| Independent Auditors' Report .....                               | 1           |
| Management's Discussion and Analysis .....                       | 3           |
| Statements of Net Assets .....                                   | 9           |
| Statements of Revenues, Expenses and Changes in Net Assets ..... | 11          |
| Statements of Cash Flows .....                                   | 12          |
| Notes to Financial Statements .....                              | 13          |

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Foxx & Company  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Board of County Commissioners  
Clermont County, Ohio:

We have audited the accompanying financial statements of the Clermont County Sewer District (District), Water System, Batavia, Ohio, as of and for the years ended December 31, 2000 and 1999 as listed in the table of contents. 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 generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

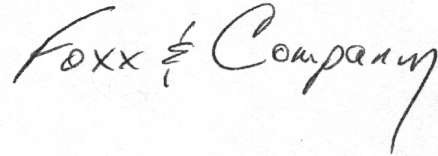
As discussed in Note 1, the financial statements present only the Water System and are not intended to present fairly the financial position of Clermont County, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

As described in Note 11, the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 34 as of and for the year ended December 31, 2000. Also, as described in Note 12, the District changed its capitalization policy for fixed assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clermont County Sewer District, Water System, as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2001 on our consideration of the Districts' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The Management's Discussion on pages 3 to 6, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Fox & Company". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Company".

Cincinnati, Ohio  
March 29, 2001

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Clermont County Sewer District's Water System's financial performance provides an overview of the System's financial activities for the fiscal year ended December 31, 2000.

### **FINANCIAL HIGHLIGHTS**

- ! The Water System's net assets increased by \$5.6 million or 8.4% in 2000.
- ! The Board of County Commissioners adopted a change in the fixed asset policy that increased the level for a capitalized asset from \$200 to \$5,000. A net reduction of \$0.5 million to the systems assets has been made to reflect this change.
- ! The operations of the Water System were turned over to a contract operator on March 1, 2000. The Board of County Commissioners adopted a 5% rate decrease that became effective October 1, 2000 to share, with the rate payers, some of the anticipated savings that were to accrue from the operations contract.
- ! During the year, the System generated \$2.4 million from operations and used \$0.5 million for other financing activities, principally interest expense.
- ! The operating income was down 32%, or \$1.1 million from 1999 as a result of lower revenues (\$1.3 million).

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets (Pages 9 -10) and the Statement of Revenues, Expenses and Changes in Net Assets (page 11), previously called the Balance Sheet and Income Statement, provide information about the activities of the Water System and present a short and long-term view of the System's finances. The Statement of Net Assets includes all of the System's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). You will need to consider other nonfinancial factors, however, such as conditions of the capital assets, to assess the overall health of the Water System. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Net Assets. This statement measures the success of the System's operations over the past year and can be used to determine whether the System has successfully recovered all its costs through its user fees and other charges. These statements report assets and liabilities using the accrual basis of accounting. All of the current years revenues and expenditures are taken into account regardless of when cash is received or paid. The final financial statement is the Statement of Cash Flow (Page 12). The primary purpose of this statement is to provide information about the System's cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such

questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**SYSTEM SUMMARY**

The Water System’s total net assets increased from \$66.5 million to \$72.1 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System.

Net assets of the System increased by 8.4%. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements-increased by \$ 2.9 million in 2000. Restricted assets-those restricted mainly for capital projects and bond covenants-increased by \$0.2 million. The investment in capital assets, net of debt increased, \$2.6 million. This increase reflects capital assets financed primarily from the

**Table 1  
Net Assets (in Millions)**

| <b>Water System</b>                     | <b>1999</b>      | <b>2000</b>      |
|---|------------------|------------------|
| Current and Other Assets                | \$ 37.1          | \$ 40.1          |
| Capital Assets                          | \$ 77.9          | \$ 78.9          |
| <b>Total Assets</b>                     | <b>\$ 115.0</b>  | <b>\$ 119.0</b>  |
| Long Term Debt Outstanding              | (\$ 46.1)        | (\$ 44.5)        |
| Other Liabilities                       | (\$ 2.4)         | (\$ 2.4)         |
| <b>Total Liabilities</b>                | <b>(\$ 48.5)</b> | <b>(\$ 46.9)</b> |
| <b>Net Assets:</b>                      |                  |                  |
| Invested in capital assets, net of debt | \$ 31.8          | \$ 34.4          |
| Restricted                              | \$ 5.5           | \$ 5.7           |
| Unrestricted (deficit)                  | \$ 29.1          | \$ 32.0          |
| <b>Total Net Assets</b>                 | <b>\$ 66.5</b>   | <b>\$ 72.1</b>   |

System’s net assets of which a part (\$4.2 million) came from capital contributions in the form of system capacity fees, donated assets, assessments and grants. The change in the fixed asset policy reduced the 2000 investment by \$0.5 million.

## Table 2 Change in Net Assets (in Millions)

| Water System                               | 1999           | 2000           |
|--|----------------|----------------|
| Operating Revenues                         | \$ 12.2        | \$ 10.9        |
| Non Operating Revenues                     | 1.2            | 2.2            |
| <b>Total Revenues</b>                      | <b>\$ 13.4</b> | <b>\$ 13.1</b> |
| Operating Expenses                         | \$ 5.5         | \$ 5.2         |
| Depreciation Expense                       | 3.2            | 3.3            |
| Other Expenses                             | 2.8            | 3.2            |
| <b>Total Expenses</b>                      | <b>\$ 11.5</b> | <b>\$ 11.7</b> |
| <b>Income Before Capital Contributions</b> | <b>\$ 1.9</b>  | <b>\$ 1.4</b>  |
| <b>Capital Contributions</b>               | <b>3.5</b>     | <b>4.2</b>     |
| Increase(Decrease) in Net Assets           | \$ 5.4         | \$ 5.6         |

While the Statement of Net Assets shows the change in the financial position of the net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. As seen in table 2, above, the Water System's income before capital contributions of \$1.4 million and capital contributions of \$4.2 million were the two sources of the increase in net assets of \$5.6 million in 2000. Operating revenues decreased by 11% (\$ 1.3 million) from 1999 to 2000 as a result of both a 5% rate reduction that became effective October 1, 2000 and a wet season that kept water consumption down. Contributions rose by \$ 0.7 million as a result of an assessment of a construction project and a \$ 0.5 million increase in donated assets in 2000. Other revenues increased \$ 1.0 million due to a favorable market for held securities.

The contract operations period began March 1, 2000 and runs for a five-year term. The reduction of \$0.3 million in operating expenses is due in large part to this contract. \$0.4 million additional other expenses in 2000 reflects the adjustment for the new fixed asset policy.

The above financial ratios should be used to assess the financial stability of the System over and extended period of time. The balance of Working Capital demonstrates the continuing ability to finance operations with cash. The growth of the Current Ratio and the reduction in the Liabilities

## Sewer System Financial Ratios (dollars in thousands)

| Ratio                     | 1996     | 1997     | 1998     | 1999     | 2000     |
|---------------------------|----------|----------|----------|----------|----------|
| Working Capital           | \$18,963 | \$21,085 | \$24,497 | \$28,044 | \$31,022 |
| Current Ratio             | 21.1     | 34.5     | 35.7     | 48.3     | 161.7    |
| Days Cash & Investments   | 1253     | 1326     | 1458     | 1586     | 1764     |
| Liabilities to Net Assets | 104%     | 93%      | 82%      | 73%      | 65%      |
| Return on Assets          | 3%       | 4%       | 4%       | 4%       | 4%       |
| Days in Receivable        | 60       | 54       | 57       | 54       | 62       |

**Working Capital** is the amount by which current assets exceed current liabilities.

**Current Ratio** compares current assets to current liabilities and is an indicator of the ability to pay current obligations.

**Days Cash & Investments** represents the number of days normal operations could continue with no revenue collection

**Liabilities to Net Assets** indicated the extent of borrowings.

**Return on Assets from Operations** illustrates to what extent there will be sufficient funds to replace assets in the future.

**Days in Receivables** determines how many days it takes to collect amount billed to customers.

to Net Assets ratio demonstrates the fact that the System has not financed its Working Capital with an increasing proportion of debt. The stability in Days in Receivable demonstrates that the increase in Days Cash and Investment in Reserve is not being financed by a reduction in receivables.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2000, the Water System had \$118.0 million invested in capital assets including water lines, booster stations, storage tanks and treatments plants. This amount represents a net increase in 2000 of \$3.4million.



| <b>Capital Assets at Year-End 1999 &amp; 2000</b><br><b>(Net of Depreciation, in millions)</b> | <b><u>1999</u></b> | <b><u>2000</u></b> |
|--|--------------------|--------------------|
| Land   | \$ 0.6             | \$ 0.5             |
| Structures   | 35.3               | 35.3               |
| Machinery (infrastructure)   | 76.0               | 79.5               |
| Furniture  | 0.5                | 0.4                |
| Autos/Trucks   | 0.9                | 0.8                |
| Construction in Progress   | <u>1.3</u>         | <u>1.5</u>         |
| Subtotal Capital Assets  | 114.6              | 118.0              |
| Accumulated Depreciation   | <u>(36.7)</u>      | <u>(39.1)</u>      |
| Total Capital Assets   | \$ 77.9            | \$ 78.9            |

The year's major additions included:

- \$2.0 Million of waterlines donated from developers
- \$0.9 Million to complete the Water Scada System
- \$0.6 Million to efforts related to Project XL
- \$0.3 Million for Tank Repainting
- \$0.3 Million for the System's share of GIS System Cost

The Water System's 2001 capital budget anticipates a spending level of \$ 9.7 million for capital projects. The District has located some grants and loans (approx \$ 0.4 million) to help fund some of these expenditures.

### **Debt**

At year end, 2000, the System had \$ 46.1 million in bonds and loans outstanding, a decrease of \$ 1.5 million or 3% from 1999.

| <b>Outstanding Debt, at Year-End</b><br><b>(in millions)</b> |                        |                    | <b><u>2000</u></b> |
|--|------------------------|--------------------|--------------------|
| 1993   | Revenue Bonds          | <b><u>1999</u></b> | <u>\$ 46.1</u>     |
|  |                        | <u>\$ 47.6</u>     |                    |
|  | Total Outstanding Debt |                    | <u>\$ 46.1</u>     |
|  |                        | <u>\$47.6</u>      |                    |

One area that demonstrates the System’s financial strength and future borrowing capability is seen in its debt coverage ratio, which is currently a strong 235%. The impact of this is that the System has the ability and the capacity to finance additional debt.

**Debt Coverage Ratio**  
**(in millions)**

|   |              |
|---|--------------|
| Income from Operations  | \$1.9        |
| Add Items to covert income from operations to pledged revenues: |              |
| Interest Paid on Bonds  | 2.7          |
| Depreciation Expense  | 3.3          |
| System Capacity Charges   | <u>1.9</u>   |
| Net Pledged Revenues  | <u>\$9.8</u> |
| Debt Service requirement during 2000                            | <u>\$4.2</u> |
| Coverage Ratio  | <u>235%</u>  |
| Required Coverage Ratio   | <u>110%</u>  |

**CONTACTING THE SYSTEM’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors and creditors with a general overview of the Water System’s finances. If you have any questions about this report or need additional financial information, contact the Controller, Clermont County Sewer District, 101 East Main Street, Batavia, Ohio, 45103.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
STATEMENT OF NET ASSETS  
December 31, 2000 and 1999**

**ASSETS**

|   | <u>2000</u>        | <u>1999</u>        |
|---|--------------------|--------------------|
| <b>Current assets:</b>  |                    |                    |
| Equity in pooled cash and cash equivalents  | \$ 3,604,574       | \$ 3,174,125       |
| Held by Trustees:   |                    |                    |
| Cash equivalents in segregated accounts   | 871,803            | 694,253            |
| Investments in segregated accounts  | 24,867,324         | 22,961,550         |
| Accounts receivable (net of allowance for doubtful<br>accounts of \$25,100 for 2000; \$15,013 for 1999) | 1,679,066          | 1,635,130          |
| Inventory of supplies at cost   | <u>193,106</u>     | <u>172,533</u>     |
| <b>Total current assets</b>   | <u>31,215,873</u>  | <u>28,637,591</u>  |
| <b>Noncurrent assets:</b>   |                    |                    |
| Restricted assets:  |                    |                    |
| Equity in pooled cash and cash equivalents  | -                  | 600                |
| Held by Trustees:   |                    |                    |
| Cash and cash equivalents   | 228,460            | 219,615            |
| Investments   | 7,186,813          | 7,008,372          |
| Accrued interest  | 435,909            | 133,639            |
| Retainage accounts  | 68,433             | 13,694             |
| Capital assets:   |                    |                    |
| Land  | 523,269            | 586,736            |
| Structures  | 35,267,642         | 35,357,688         |
| Machinery   | 79,548,112         | 76,005,954         |
| Furniture   | 407,999            | 496,124            |
| Autos and trucks  | 789,956            | 889,722            |
| Less: Accumulated depreciation  | (39,127,750)       | (36,715,045)       |
| Construction in progress  | 1,504,915          | 1,278,456          |
| Unamortized financing costs   | 778,869            | 822,139            |
| Interfund receivable  | 220,983            | 257,814            |
| Grant receivable  | <u>14,004</u>      | <u>14,886</u>      |
| <b>Total noncurrent assets</b>  | <u>87,847,614</u>  | <u>86,370,394</u>  |
| <b>Total assets</b>   | <u>119,063,487</u> | <u>115,007,985</u> |

(continued)

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
STATEMENT OF NET ASSETS  
(continued)  
December 31, 2000 and 1999**

**LIABILITIES**

|                                     | <u>2000</u>       | <u>1999</u>       |
|-------------------------------------|-------------------|-------------------|
| <b>Current liabilities:</b>         |                   |                   |
| Accounts payable                    | \$ 103,013        | \$ 195,181        |
| Accrued wages and benefits          | <u>90,071</u>     | <u>398,240</u>    |
| <b>Total current liabilities</b>    | <u>193,084</u>    | <u>593,421</u>    |
| <b>Noncurrent liabilities:</b>      |                   |                   |
| Payable from restricted assets:     |                   |                   |
| Current portion of long-term debt   | 1,580,000         | 1,510,000         |
| Accounts payable                    | 339,613           | 60,625            |
| Accrued interest payable            | 214,701           | 220,615           |
| Retainage payable                   | 68,433            | 13,694            |
| Maintenance bond payable            | 35,049            | 35,525            |
| Long-term debt                      | <u>44,495,000</u> | <u>46,075,000</u> |
| <b>Total noncurrent liabilities</b> | <u>46,732,796</u> | <u>47,915,459</u> |
| <b>Total liabilities</b>            | <u>46,925,880</u> | <u>48,508,880</u> |

**NET ASSETS**

|   |                     |                     |
|---|---------------------|---------------------|
| Invested in capital assets, net of related debt | 34,419,143          | 31,824,635          |
| Restricted for debt service                     | 5,716,868           | 5,570,986           |
| Unrestricted                                    | <u>32,001,596</u>   | <u>29,103,484</u>   |
| <b>Total net assets</b>                         | <u>\$72,137,607</u> | <u>\$66,499,105</u> |

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
for the years ended December 31, 2000 and 1999**

|   | <u>2000</u>         | <u>1999</u>         |
|---|---------------------|---------------------|
| <b>Operating revenues:</b>  |                     |                     |
| Charges for services  | \$10,707,807        | \$11,998,558        |
| All other revenues  | <u>203,749</u>      | <u>216,912</u>      |
| <b>Total operating revenues</b>   | <u>10,911,556</u>   | <u>12,215,470</u>   |
| <b>Operating expenses:</b>  |                     |                     |
| Personnel services  | 1,011,539           | 2,612,301           |
| Contractual services  | 3,350,811           | 550,128             |
| Maintenance and repair  | 100,919             | 234,114             |
| Utilities   | 178,347             | 855,397             |
| Materials and supplies  | 615,606             | 1,188,868           |
| Depreciation  | 3,259,818           | 3,228,240           |
| Other   | <u>10,087</u>       | <u>21,820</u>       |
| <b>Total operating expenses</b>   | <u>8,527,127</u>    | <u>8,690,868</u>    |
| <b>Operating income</b>   | <u>2,384,429</u>    | <u>3,524,602</u>    |
| <b>Nonoperating revenues (expenses):</b>  |                     |                     |
| Interest income   | 1,945,743           | 1,508,642           |
| Change in fair value of investments   | 247,474             | (287,367)           |
| Interest expense  | (2,684,738)         | (2,750,259)         |
| Other expense   | (2,085)             | -                   |
| Gain on sale of fixed assets  | <u>4,953</u>        | <u>-</u>            |
| <b>Total nonoperating revenues (expenses)</b>                                     | <u>(488,653)</u>    | <u>(1,528,984)</u>  |
| <b>Income from operations</b>   | 1,895,776           | 1,995,618           |
| Cumulative effect on prior years of accounting change                             | <u>(455,998)</u>    | <u>-</u>            |
| <b>Income before contributions</b>  | <u>1,439,778</u>    | <u>1,995,618</u>    |
| Capital contributions   | <u>4,198,724</u>    | <u>3,463,343</u>    |
| <b>Change in net assets</b>   | 5,638,502           | 5,458,961           |
| <b>Total net assets, beginning</b>  | <u>66,499,105</u>   | <u>61,040,144</u>   |
| <b>Total net assets, ending</b>   | <u>\$72,137,607</u> | <u>\$66,499,105</u> |
| <b>Pro forma amounts assuming capitalized asset policy applied retroactively:</b> |                     |                     |
| Income from operations  | <u>\$ 1,895,776</u> | <u>\$ 2,078,595</u> |
| Change in net assets  | <u>\$ 6,094,500</u> | <u>\$ 5,541,938</u> |

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2000 and 1999**

|   | <u>2000</u>        | <u>1999</u>         |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                    |                     |
| Receipts from customers   | \$10,663,871       | \$ 11,945,765       |
| Payments to suppliers   | (4,368,511)        | (2,870,067)         |
| Payments to employees   | (1,319,708)        | (2,657,368)         |
| Other receipts  | <u>203,749</u>     | <u>216,912</u>      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>5,179,401</u>   | <u>6,635,242</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |                    |                     |
| Principle and interest paid on long-term debt   | (4,157,382)        | (4,157,408)         |
| Construction of capital assets  | (2,448,683)        | (2,440,818)         |
| Proceeds from sale of fixed assets  | 41,784             | 36,830              |
| Retainage receipts  | 54,739             | -                   |
| Retainage payments  | -                  | (26,546)            |
| Maintenance bond receipts   | 3,900              | 10,326              |
| Maintenance bond payments   | (4,376)            | -                   |
| Proceeds from grants  | 14,966             | -                   |
| Proceeds from assessments   | 233,605            | 15,461              |
| System capacity charges   | <u>1,946,300</u>   | <u>1,996,085</u>    |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        | <u>(4,315,147)</u> | <u>(4,566,070)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                    |                     |
| Investment purchases  | (25,446,000)       | (26,403,600)        |
| Investment sales  | 23,609,255         | 22,378,088          |
| Interest received on investments  | <u>1,643,474</u>   | <u>1,465,090</u>    |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                                 | <u>(193,271)</u>   | <u>(2,560,422)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | <u>670,983</u>     | <u>(491,250)</u>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                   | <u>4,102,287</u>   | <u>4,593,537</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u>4,773,270</u>   | <u>\$ 4,102,287</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                    |                     |
| Income from operations  | \$2,384,429        | \$3,524,602         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                    |                     |
| Depreciation and amortization   | 3,259,818          | 3,228,240           |
| Change in assets and liabilities:   |                    |                     |
| Net change in customer accounts receivable  | (43,936)           | (52,793)            |
| Net change in inventory   | (20,573)           | 6,774               |
| Net change in prepaid expenses  | -                  | 41,264              |
| Net change in operating accounts payable  | (92,168)           | (67,778)            |
| Net change in accrued payroll and related expenses                                      | <u>(308,169)</u>   | <u>(45,067)</u>     |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>\$5,179,401</u> | <u>\$6,635,242</u>  |
| <b>NON-CASH TRANSACTIONS:</b>   |                    |                     |
| Contributions from developers   | <u>\$2,002,650</u> | <u>\$1,451,797</u>  |

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

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**1. Summary of Significant Accounting Policies**

**A. Organization**

The Clermont County Sewer District (District), which includes a waterworks system and a sewer system, operates as a separate proprietary or individual enterprise fund under the direction of the Clermont County Board of Commissioners. The financial statements covering the sewer system are issued separately from the waterworks system. The County issues a separate Comprehensive Annual Financial Report which contains this waterworks system as a separate enterprise fund of the County.

The customers serviced by the District are located primarily within Clermont County with a small portion located in Hamilton County. Customers consist of residential, industrial, and commercial accounts.

**B. Basis of Accounting**

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. In accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**C. Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost and updated for the cost of additions and retirements during the year. Routine maintenance and repairs are expensed as incurred. Contributed fixed assets are recorded at their fair market values as of the date donated, and depreciation on those assets is included in the Statements of Revenues and Expenses. Interest during construction is capitalized until substantial completion of the project. Depreciation is computed on the straight-line basis over the estimated useful life of the asset as follows:

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

| Description                                  | Estimated<br>Lives<br>(Years) |
|--|-------------------------------|
| Autos and trucks                             | 3-5                           |
| Machinery, equipment, furniture and fixtures | 5-20                          |
| Water treatment plants and structures        | 20-50                         |
| Distribution mains                           | 50                            |

**D. Inventory**

Supplies, materials, and fuel are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

**E. Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

**F. Unamortized Financing Costs**

The unamortized financing costs include bond discounts, consulting fees, and attorneys' fees incurred in connection with the revenue bond obligations. These costs are capitalized and are amortized on the straight-line method over the lives of the revenue bonds and are included as interest expense. The amount amortized amounted to \$43,270 in 2000 and 1999.

**G. Insurance**

The District participates in Ohio Workers' Compensation and Ohio State Unemployment programs. The District maintains insurance coverage for liability and property damage through policies with private carriers.



**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**H. Investments**

In accordance with GASB Statement 31, investments are recorded at fair value as stated by the District's investment Trustees.

**I. Compensated Absences**

A liability is provided for accumulated unpaid sick, vacation and compensated time benefits when earned by employees. Ohio law requires that vacation time not be accumulated for more than three years. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Unused vacation is payable upon termination of employment. Unused sick time may be accumulated until retirement. Employees eligible to retire, with a minimum of ten years of service, are paid one-fourth of accumulated sick time upon retirement. However, if employees earned sick leave prior to January 23, 1984, they are eligible for 100 percent conversion.

Such payment may not exceed the value of thirty days of accrued but unused sick leave. In general, employees are eligible to be paid for unused compensation time upon termination of employment. Sick, vacation and compensation payments are made at the employee's current wage rate.

**J. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding long-term debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations are imposed on their use by county legislation or external restrictions by other governments, creditors or grantors.

**K. System Capacity Charges**

System capacity charges are recorded as capital contributions as they represent one-time charges to customers for the privilege of accessing the water system.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**2. Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments at December 31, 2000 are summarized below:

|   | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u>      | <u>Total</u>            |
|---|--------------------------------------|-------------------------|-------------------------|
| Held by the Clermont County Treasurer:    |                                      |                         |                         |
| Unrestricted pooled cash, revenue account | \$3,604,574                          | \$ -                    | \$ 3,604,574            |
| Retainage accounts                        | 68,433                               | -                       | 68,433                  |
| Amounts held by trustees:                 |                                      |                         |                         |
| Bond account                              | 216,682                              | 4,257,344               | 4,474,026               |
| Replacement and improvement account       | 11,778                               | 2,929,469               | 2,941,247               |
| Surplus account                           | <u>871,803</u>                       | <u>24,867,324</u>       | <u>25,739,127</u>       |
| <br>Total                                 | <br><u>\$4,773,270</u>               | <br><u>\$32,054,137</u> | <br><u>\$36,827,407</u> |

Cash, cash equivalents and investments at December 31, 1999 are summarized below:

|  | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u>      | <u>Total</u>            |
|--|--------------------------------------|-------------------------|-------------------------|
| Held by the Clermont County Treasurer:       |                                      |                         |                         |
| Unrestricted pooled cash, revenue account    | \$3,174,125                          | \$ -                    | \$ 3,174,125            |
| Restricted pooled cash, construction account | 600                                  | -                       | 600                     |
| Retainage accounts                           | 13,694                               | -                       | 13,694                  |
| Amounts held by trustees:                    |                                      |                         |                         |
| Bond account                                 | 182,549                              | 4,142,810               | 4,325,359               |
| Replacement and improvement account          | 37,066                               | 2,865,562               | 2,902,628               |
| Surplus account                              | <u>694,253</u>                       | <u>22,961,550</u>       | <u>23,655,803</u>       |
| <br>Total                                    | <br><u>\$4,102,287</u>               | <br><u>\$29,969,922</u> | <br><u>\$34,072,209</u> |

*Pooled Cash held by Clermont County Treasurer*

Operating and construction account funds, except for trustee funds described below, are controlled on the District's behalf by the Clermont County Treasurer's Office (County). Cash is deposited into bank accounts of the County for which the County Treasurer maintains accountability. The pooled cash of the County includes the proportionate share belonging to the District. The County is responsible for the collateralization of pooled cash balances belonging to the District. The collateralization of County funds is discussed in the County's 2000 Comprehensive Annual Financial Report.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

Retainage Accounts

Retainage accounts represent bank deposit accounts controlled by the District. All of these accounts represent cash retained from construction contractor payments until satisfactory completion of projects. The District's and the contractor's approval are required before funds can be released. Individual retainage accounts are collateralized by insurance provided by the Federal Deposit Insurance Corporation up to \$100,000. Any excess is collateralized through the use of the Federal Reserve book entry system to hold U.S. Government securities as collateral. The securities are registered in the name of the financial institution, not in the name of the District. As of December 31, 2000 retainage accounts totaled \$68,433, all of which was covered by FDIC Insurance.

Amounts Held by Trustees

Bond legislation requires the establishment of various accounts to be held by trustees. The District may invest these funds in direct obligations of the United States of America or highest rated bonds, notes or other evidences of indebtedness having maturity dates no longer than five years from the date of such investment.

Trustee account investments at December 31, 2000 are categorized according to credit risk into the following categories: (1) insured or registered, or securities held by the District's or its agent (bank trust department) in the District's name; or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; or (3) uninsured, unregistered securities held by the counterparty, or its trust department or agent but not in the District's name. Money market funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

|                                 | Category<br><u>2</u> | Reported<br><u>Amount</u> | Fair<br><u>Value</u> |
|---------------------------------|----------------------|---------------------------|----------------------|
| <b>Categorized Investments:</b> |                      |                           |                      |
| U.S. Treasury Notes             | \$24,267,569         | \$24,267,569              | \$24,267,569         |
| U.S. Treasury Bills             | 7,786,568            | 7,786,568                 | 7,786,568            |
| Money Market Funds              | <u>-</u>             | <u>1,100,263</u>          | <u>1,100,263</u>     |
| Total                           | <u>\$32,054,137</u>  | <u>\$33,154,400</u>       | <u>\$33,154,400</u>  |

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**3. Restrictions on Assets**

The Trust Agreement for the Revenue Bonds requires the establishment of certain trust accounts, including a Bond Account, Bond Reserve Account, Replacement and Improvement Account, Construction Account, and a Surplus Account. Cash and investments in the accounts are held by trustee financial institutions.

The Bond Account is used to accumulate periodic principal and interest payments. The Bond Reserve Account is to be funded in an amount equal to the maximum annual bond principal and interest requirement. The Replacement and Improvement Account is to be maintained with a balance equal to the greater of five percent of the amount of bonds outstanding or \$2,000,000. The Surplus Account accumulates any remaining net revenues which are available for several purposes at the direction of the County Commissioners. The Construction Account is established to pay for project costs.

**4. Property, Plant and Equipment**

The following summarizes the changes to property plant and equipment during 2000.

|  | Balance<br>January 1,<br><u>2000*</u> | <u>Additions</u>   | <u>Deletions</u> | Balance<br>December 31,<br><u>2000</u> |
|--|---------------------------------------|--------------------|------------------|--|
| Land   | \$ 523,269                            | \$ -               | \$ -             | \$ 523,269                             |
| Structure  | 35,225,921                            | 41,721             | -                | 35,267,642                             |
| Machinery  | 75,086,171                            | 4,461,941          | -                | 79,548,112                             |
| Furniture  | 407,999                               | -                  | -                | 407,999                                |
| Autos and trucks                                 | <u>831,569</u>                        | <u>-</u>           | <u>41,613</u>    | <u>789,956</u>                         |
|  | <u>\$112,074,929</u>                  | <u>\$4,503,662</u> | <u>\$41,613</u>  | 116,536,978                            |
| Accumulated depreciation                         |                                       |                    |                  | <u>(39,127,750)</u>                    |
| Net property, plant and equipment                |                                       |                    |                  | <u>\$ 77,409,228</u>                   |
| Construction in progress as of January 1, 2000   |                                       |                    |                  | \$ 1,278,456                           |
| Additions  |                                       |                    |                  | 2,774,270                              |
| Construction projects closed                     |                                       |                    |                  | <u>(2,547,811)</u>                     |
| Construction in progress as of December 31, 2000 |                                       |                    |                  | <u>\$ 1,504,915</u>                    |

\* January 1, 2000 balances reflect the District's new capitalization policy (see Note 12).

Assets contributed by developers and others in 2000 amounted to \$2,002,650.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**5. Long-Term Debt**

For the year ended December 31, 2000, changes in long-term debt consisted of the following:

|                      | <u>Interest<br/>Rate</u> | <u>Maturity</u> | <u>Balance<br/>January 1,<br/>2000</u> | <u>Additions</u> | <u>Deletions</u>     | <u>Balance<br/>December 31,<br/>2000</u> | <u>Interest<br/>Paid During<br/>2000</u> |
|----------------------|--------------------------|-----------------|--|------------------|----------------------|--|--|
| Revenue bonds:       |                          |                 |  |                  |                      |  |  |
| 1993                 | 2.6-5.8%                 | 2018            | <u>\$47,585,000</u>                    | \$ -             | <u>\$(1,510,000)</u> | <u>\$ 46,075,000</u>                     | <u>\$2,647,382</u>                       |
| Total                |                          |                 | <u>\$47,585,000</u>                    | \$ -             | <u>\$(1,510,000)</u> | 46,075,000                               | <u>\$2,647,382</u>                       |
| Less current portion |                          |                 |  |                  |                      | <u>(1,580,000)</u>                       |  |
| Long-term portion    |                          |                 |  |                  |                      | <u>\$44,495,000</u>                      |  |

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-------------|---------------------|---------------------|---------------------|
| 2001        | \$ 1,580,000        | \$ 2,576,413        | \$ 4,156,413        |
| 2002        | 1,660,000           | 2,498,993           | 4,158,993           |
| 2003        | 1,740,000           | 2,415,993           | 4,155,993           |
| 2004        | 1,830,000           | 2,327,253           | 4,157,253           |
| 2005        | 1,925,000           | 2,232,092           | 4,157,092           |
| Thereafter  | <u>37,340,000</u>   | <u>16,701,970</u>   | <u>54,041,970</u>   |
|             | <u>\$46,075,000</u> | <u>\$28,752,714</u> | <u>\$74,827,714</u> |

The District issued Waterworks System Revenue Improvement and Refunding Bonds, Series 1993, dated May 1, 1993 to advance refund the outstanding Series 1977, Series 1987, Series 1989 and Series 1991 water revenue bonds of the County and to finance a portion of the costs of the 1993 Project as defined by the Official Statement.

The remaining balance of the Series 1993 bonds will mature on December 1 in various amounts ranging from \$1,580,000 in 2001 to \$17,610,000 in 2018, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 2.6 percent to 5.8 percent per annum, is payable semi-annually on June 1 and December 1. The District is to provide funding for the

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

retirement of principal amounts when they mature, by funding the Bond Account in varying amounts ranging from \$1,580,000 in 2001 to \$3,930,000 in 2018.

The revenue bond issues are subject to optional redemption in whole or in part at various redemption prices plus accrued interest for portions maturing at various times in the future. In addition, portions of these issues are subject to mandatory sinking fund redemption prior to maturing, from funds in the bond account created by the Bond Legislation through the Trustee without action by the County.

Bond Legislation provides that if the surplus account is funded in excess of 10 percent of the aggregate principal amount outstanding on all bonds and other obligations and the reserve account and replacement and improvement accounts are at the required balances, the County will charge rates for the services and facilities of the system sufficient for the excess of revenues over expenditures to equal not less than 110 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

The coverage ratio computed under the Bond Legislation utilizing the 110 percent level is as follows:

|  |                     |
|--|---------------------|
| Income from operations   | \$ 1,895,776        |
| Add items to convert income from operations to pledged revenues: |                     |
| Interest on bonds (accrual basis)                                | 2,641,468           |
| Deferred debt amortization                                       | 43,270              |
| Depreciation expense   | 3,259,818           |
| System capacity charges  | <u>1,946,300</u>    |
| Net pledged revenues   | <u>\$ 9,786,632</u> |
| Debt service requirement during 2000                             | <u>\$ 4,159,467</u> |
| Coverage ratio   | <u>235%</u>         |
| Required coverage ratio  | <u>110%</u>         |

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**6. Defeased Debt**

The District defeased various general obligation serial bonds and revenue serial bonds through refinancing and operations. Separate irrevocable trust funds were established and funded to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and is not included in the financial statements.

At December 31, 2000, and 1999, the total amount of defeased debt outstanding amounted to \$14,965,000 and \$15,175,000, respectively.

**7. Other Contingent Liabilities**

The Ohio Revised Code provides for the issuance of special assessment bonds for water improvements. Under the Code, such special assessment obligations are issued by the Board of County Commissioners. As general obligation debt, the full faith, credit and revenue of the County has been pledged as security for the outstanding special assessment obligations. These bonds are reflected on the County's financial statements as general obligation bonds of the County.

If the special assessments are not paid by the taxpayers or prove to be insufficient to pay the debt service, it is the obligation of the County to pay the debt from whatever source of funds is available to it, including, but not limited to, the funds of the District. During 2000 and 1999, no payments were made by the District to the County's debt service fund.

**8. Pension and Retirement**

All District full-time employees participate in the Public Employees' Retirement System administered by the State of Ohio (State PERS). The plan is a cost-sharing, multiple-employer, public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085..

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

rollback for state and local governments. The 2000 employer pension contribution rate for the District was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The District's required contributions to PERS for the years ending December 31, 2000, 1999 and 1998 were \$116,168, \$270,422 and \$279,545, respectively; 83 percent has been contributed for 2000 and 100 percent for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability.

***Other Post-Employment Benefits*** The Public Employees Retirement System of Ohio (PERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually

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

The number of active contributing participants was 401,339. The District's actual contributions for 2000 which were used to fund post employment benefits were \$46,081. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information



**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**9. Interfund Transactions**

The District is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2000 and 1999 were \$97,939 and \$128,952 respectively and are classified as contractual services.

During 1997, the Board of County Commissioners approved the sale of certain fixed assets of the District to the general fund of the County. Payments for the assets are to be made over 10 years. The sale of the assets results in the District recognizing amounts due from other funds totaling \$220,983 and \$257,814 at December 31, 2000 and 1999, respectively.

**10. Plant Operations**

On February 10, 2000, the Board of County Commissioners approved contracts with vendors for the operations of both the water and sewer systems. The vendors are responsible for the daily operations of treatment plants, storage and distribution systems as well as customer billing and collections. Vendors will collect operating revenues on behalf of the District and will be paid a monthly lump sum amount for operating expenses.

**11. Prior Year Restatements**

In 2000, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 34 "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments." Statement No. 34 established new financial reporting requirements for all state and local governments. The effect of implementing Statement No. 34 for the District is the addition of management's discussion and analysis and revising the presentation of the District's financial statements.

**CLERMONT COUNTY SEWER DISTRICT  
BATAVIA, OHIO  
WATER SYSTEM  
NOTES TO FINANCIAL STATEMENTS**

**for the years ended December 31, 2000 and 1999**

**12. Change in Accounting Principles**

During 2000, the District changed its policy for capitalizing fixed assets by raising the capitalization threshold to \$5,000. The District has removed all items previously recorded with a value less than \$5,000 from fixed asset records and eliminated those items, and related accumulated depreciation, for reporting purposes. The effect of this change is to reduce amounts reported as fixed assets and accumulated depreciation at January 1, 2000 by a net amount totaling \$455,998.

The Statement of Revenues, Expenses and Changes in Net Assets reflects this new policy for the year ended December 31, 2000. The cumulative effect on prior years for this accounting change and pro forma amounts have been presented to provide comparative data as though the change had been applied to amounts previously reported.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CLERMONT COUNTY SEWER DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2001**