CLERMONT COUNTY SEWER DISTRICT
SEWER SYSTEM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

for the years ended December 31, 2007 and 2006

Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Clermont County Sewer District - Water and Sewer Systems
101 East Main Street
Batavia, Ohio 45103

We have reviewed the *Independent Auditors' Report* of the Clermont County Sewer District - Water and Sewer Systems, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2007 through December 31, 2007. 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 - Water and Sewer Systems is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 28, 2008

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Bastin & Company, LLC
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, an enterprise fund of Clermont County, Ohio, as of and for the years ended December 31, 2007 and 2006 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, and do not, present fairly the financial position of Clermont County, Ohio, as of December 31, 2007 and 2006 and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007 and 2006 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 to 8 is not a required part of the basic financial statements but is 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.

Bastin & Company, LLC

Cincinnati, Ohio
April 18, 2008

4286 Mt. Carmel – Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

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 years ended December 31, 2007 and 2006.

FINANCIAL HIGHLIGHTS

- The Sewer System's net assets increased by $7.1 million or 4.4% in 2007.
- During 2007, the System lost $1.6 million from operations.
- Operating revenues increased $0.6 million from 2006, primarily due to a rate increase that went into effect during 2007
- Operating expenses increased by $1.7 million as a result of higher costs in all expense categories and included a $1.1 million increase in depreciation expense as significant assets were placed in service during the year.
- Debt increased by $0.1 million due to due to additional $2.2 million of OPWC loans offset by the scheduled retirement of revenue bonds and other debt of $2.1 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets (Page 9) and the Statement of Revenues, Expenses and Changes in Net Assets (page 10), provide information about the activities of the Sewer 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 Sewer System. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in 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 of 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 year's revenues and expenditures are taken into account regardless of when cash is received or paid. The final financial statement is the Statement of Cash Flows (Page 11). 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 $162.8 million to $169.9 million during 2007. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System comparing 2007 to 2006 and comparing 2006 to 2005.

Table 1

NET ASSETS (in Millions)	2007	2006	2005
Current and Other Assets	$ 52.3	$ 57.4	$ 65.1
Capital Assets	163.8	153.2	133.9
Total Assets	216.1	210.6	199.0
Long Term Debt Outstanding	40.5	40.5	40.9
Other Liabilities	5.7	7.3	4.4
Total Liabilities	46.2	47.8	45.3
Net Assets:			
Invested in capital assets, net of debt	121.0	110.3	91.0
Restricted for debt service	4.2	5.1	5.0
Unrestricted	44.7	47.4	57.7
Total Net Assets	$169.9	$162.8	$153.7

For 2007, net assets of the System increased by 4.4%. 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, decreased by $2.7 million in 2007. Restricted assets decreased in 2007 by $0.9 million. The investment in capital assets, net of debt, increased $10.7 million. This increase reflects capital assets financed from the System's net assets, of which a part ($8.7 million) came from capital contributions in the form of, system capacity fees, donated assets and grants. The remaining portion of the increase came from unrestricted assets.

For 2006, net assets of the System increased by 5.9%. Unrestricted net assets decreased by $10.3. Restricted assets increased by $0.1 million. The investment in capital assets, net of debt, increased $19.3 million. This increase reflects capital assets financed from the System's net assets, of which a part ($9.2 million) came from capital contributions in the form of system capacity fees, donated assets, assessments and grants. The remaining portion of the increase came from unrestricted assets.

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.

Table 2

CHANGE IN NET ASSETS (in Millions)		2007	2006	2005
Operating Revenues	Charges for Services	$14.1	$13.4	$13.5
	New services and reviews	0.0	0.2	0.2
	Other Operating Revenues	0.1	0.0	0.2
	Total Operating Revenues	14.2	13.6	13.9
Operating Expenses	Operating Expenses	8.3	7.7	7.3
	Depreciation Expense	7.5	6.4	6.4
	Total Operating Expense	15.8	14.1	13.7
	Operating Income (Loss)	(1.6)	(0.5)	0.2
Non-Operating Revenues	Interest Income	1.9	1.9	1.5
	Net Change in Market Value of Investments	0.2	0.2	(0.1)
	Interest and Fiscal Charges	(1.7)	(1.7)	(1.8)
	Loss on Disposal of Capital Assets	(0.4)	0.0	0.0
	Income (Loss) before Contributions	(1.6)	(0.1)	(0.2)
Contributions/Transfers	Capital Contributions and Transfers	8.7	9.2	10.6
Change in Net Assets	**Total Change in Net Assets**	$7.1	$9.1	$10.4

As seen in Table 2 the Sewer System's capital contributions/transfers of $8.7 million was the source of the increase in net assets of $7.1 million. Operating revenues increased $0.6 million due to a rate increase that went into effect March 1, 2007. Operating expenses increased by $1.7 million, or 12.0%, from 2006 to 2007 primarily as a result of higher costs in all expense categories with a significant increase ($1.1 million) in depreciation expense as a result of constructed assets being placed in service. Contributions/transfers decreased by $0.5 million primarily due to a lower level of grants earned, system capacity fees and assessment bond issues.

For 2006, capital contributions/transfers of $9.2 million were the primary source of the increase in net assets. Operating revenues remained flat in 2006 compared to 2005. The increase in operating expenses of 3.0% ($0.4 million) was primarily a result of higher personnel costs, contractual services and depreciation. Contributions/transfers decreased by $1.4 million primarily due to a lower level of donated assets, system capacity fees and assessment bond issues.

The following financial ratios should be used to assess the financial stability of the System over an extended period of time. The reduction in Working Capital, Current Ratio and Days in Cash & Investments are all a result of the increase in investments made in capital assets. Days in Receivables has been reduced due to collection efforts. The level of Days Cash & Investments continues to represent the strong cash balances of the system.

FINANCIAL RATIOS ($ in thousands)

	2001	2002	2003	2004	2005	2006	2007
Working Capital	$45,054	$45,060	$49,642	$51,275	$53,117	$39,629	$39,119
Current Ratio	27.0	40.8	42.3	40.6	35.9	13.2	18.3
Days Cash & Investments	2,442	2,352	2,638	2,369	2,389	1,888	1,675
Liabilities to Net Assets	40%	37%	34%	33%	30%	29%	27%
Return on Assets	2%	1%	1%	1%	1%	1%	0%
Days in Receivables	83	72	73	70	79	67	60

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 indicates 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 amounts billed to customers

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Sewer System had $283.1 million invested in capital assets including sewer lines, pump stations, treatment plants in operation or under construction. This amount represents a net increase in 2007 of $15.0 million.

During 2007, major additions/completions included:

$10.3 Million for the Lower East Fork Wastewater Treatment Plant Renovations
$8.3 Million for the Shayler Segment B Sewerline Project
$6.9 Million for the Hall Run Equalization Basin
$5.2 Million of developer donated sewer lines
$3.0 Million for O'Bannon Wastewater Treatment Plant Renovations
$1.1 Million for Sewerline Improvements on Chapel Road
$0.9 Million for lift stations

At the end of 2006, the Sewer System had $268.1 million invested in capital. This amount represents a net increase in 2006 of $25.8 million.

During 2006, major additions/completions included:

$1.5 Million for the Sewer SCADA System
$1.4 Million for the SR131/Dry Run/Melody Sewer Line
$0.8 Million for the Oversizing of the North Afton donated sewer line
$4.7 Million of developer donated sewer lines
$0.7 Million for lift stations

Capital Assets at Year-End (Net of Depreciation, in millions)	2007	2006	2005
Land	3.6	$ 3.1	$ 3.0
Structures	110.2	91.6	90.9
Machinery	12.8	12.6	10.6
Collection Systems	143.0	126.0	119.0
Autos/Trucks	1.4	1.3	1.3
Construction in Progress	12.1	33.5	17.5
Subtotal Capital Assets	283.1	268.1	242.3
Accumulated Depreciation	(119.2)	(115.0)	(108.4)
Total Capital Assets	$163.9	$153.1	$133.9

The Sewer System's 2008 capital plan anticipates a spending level of $20.7 million for capital projects. The District anticipates that grants, loans and assessment bond proceeds (approx $12.5 million) to help fund some of these expenditures.

Additional information on the District's capital assets can be found in Note 3 on page 19 of this report.

Debt

At December 31, 2007 the System had $42.9 million in bonds and loans outstanding, an addition of $0.1 million from 2006. The net increase was due to additional $2.2 million of OPWC loans offset by the scheduled retirement of revenue bonds and other debt of $2.1 million. At December 31, 2006 the System had $42.8 million in bonds and loans outstanding, a reduction of $0.2 million from 2005. The net decrease was due to the scheduled retirement of revenue bonds and other debt of $2.0 million offset by the issuing of $1.8 million in additional OPWC debt during the year.

Outstanding Debt, at Year-End (in millions)	2007	2006	2005
2003 Revenue Bonds	$32.6	$34.3	$35.9
OWDA Loans	1.0	1.1	1.3
OPWC Loans	9.3	7.4	5.8
Total Debt	$42.9	$42.8	$43.0

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 300 percent for 2007 and 329 percent for 2006. The impact of this is that the System has the ability and the capacity to finance additional debt.

Debt Coverage Ratio (in millions)	2007	2006
Loss before contributions and transfers	($1.6)	($0.1)
Add items to convert income to pledged revenues:		
Interest Paid on Bonds	1.5	1.5
Deferred Debt Amortization	0.2	0.2
Depreciation Expense	7.5	6.5
System Capacity Charges	1.8	2.1
Net Pledged Revenues	$9.4	$10.2
Debt Service Requirements during year	$3.1	$3.1
Coverage Ratio	300%	329%
Required Coverage Ratio	110 %	110 %

Additional information on the District's debt can be found in Note 4 on page 19 of this report.

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

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CLERMONT COUNTY SEWER DISTRICT
SEWER SYSTEM
STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS:		
Equity in pooled cash and cash equivalents	$ 3,777,840	$ 3,332,904
Cash and cash equivalents in segregated accounts	5,827,289	1,655,589
Investments in segregated accounts	29,376,830	35,362,175
Accounts receivable (net of allowance for doubtful accounts of $41,585 for 2007 and $41,929 for 2006)	2,320,088	2,448,726
Inventory of supplies at cost	79,780	82,293
Total current assets	41,381,827	42,881,687
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents in segregated accounts	880,196	1,505,491
Investments in segregated accounts	3,673,197	3,766,175
Contractor retainage accounts	1,043,593	1,070,598
Accrued interest	208,138	420,228
Total restricted assets	5,805,124	6,762,492
Capital assets not being depreciated	15,702,969	36,667,195
Capital assets being depreciated	148,159,795	116,487,682
Grants Receivable	838,106	1,873,531
Loans receivable	2,617,084	4,120,300
Unamortized financing costs	1,539,868	1,740,989
Interfund receivable	123,810	86,353
Total noncurrent assets	174,786,756	167,738,542
TOTAL ASSETS	216,168,583	210,620,229

LIABILITIES

	2007	2006
CURRENT LIABILITIES:		
Accounts payable	1,280,127	2,924,684
Accrued wages and benefits	364,930	327,856
Contractor maintenance bonds payable	63,205	74,205
Current portion of OWDA notes payable	173,988	165,011
Current portion of OPWC loans payable	443,492	442,322
Total current liabilities	2,325,742	3,934,078
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of revenue bonds payable	1,750,000	1,700,000
Accrued interest payable	569,029	590,279
Contractor retainages payable	1,043,593	1,070,598
Total noncurrent liabilities payable from restricted assets	3,362,622	3,360,877
NONCURRENT LIABILITIES:		
Long term portion of OWDA notes payable	808,904	982,892
Long term portion of OPWC loans payable	8,895,902	6,943,379
Long term portion of revenue bonds payable	30,810,000	32,560,000
Total other noncurrent liabilities	40,514,806	40,486,271
TOTAL LIABILITIES	46,203,170	47,781,226

NET ASSETS

	2007	2006
Invested in capital assets, net of related debt	120,980,478	110,361,273
Restricted for debt service	4,192,502	5,101,615
Unrestricted	44,792,433	47,376,115
TOTAL NET ASSETS	$169,965,413	$162,839,003

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

CLERMONT COUNTY SEWER DISTRICT
SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the years ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Charges for services	$ 14,099,099	$ 13,405,796
New services and reviews	17,002	154,578
Other revenues	123,563	50,311
Total operating revenues	14,239,664	13,610,685
OPERATING EXPENSES:		
Personnel services	3,001,732	2,870,915
Contractual services	1,732,712	1,532,651
Maintenance and repair	389,920	292,539
Materials and supplies	1,275,216	1,140,093
Utilities	1,925,531	1,732,258
Depreciation	7,476,921	6,535,506
Total operating expenses	15,802,032	14,103,962
OPERATING INCOME (LOSS)	(1,562,368)	(493,277)
NONOPERATING REVENUES (EXPENSES):		
Interest income	1,885,269	1,877,058
Net increase (decrease) in fair value of investments	191,339	227,890
Interest and fiscal charges	(1,666,407)	(1,724,251)
Loss on disposal of capital assets	(400,018)	-
Total nonoperating revenues (expenses)	10,183	380,697
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(1,552,185)	(112,580)
CAPITAL CONTRIBUTIONS:		
Transfers-in from County	-	36,976
Transfers-out to County	-	(664)
Capital contributions	8,678,595	9,204,505
CHANGE IN NET ASSETS	7,126,410	9,128,237
NET ASSETS BEGINNING OF YEAR	162,839,003	153,710,766
NET ASSETS END OF YEAR	$169,965,413	$162,839,003

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

CLERMONT COUNTY SEWER DISTRICT
SEWER SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$14,246,777	$14,032,256
Payments to suppliers	(5,206,310)	(4,701,034)
Payments to employees	(2,964,658)	(2,838,886)
Other receipts	121,525	50,311
Net cash provided by operating activities	6,197,334	6,542,647
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and interest paid on long-term debt	(3,587,854)	(3,586,154)
Proceeds from capital related loans	3,693,216	-
Construction and acquisition of capital assets	(14,260,048)	(18,833,224)
Contractor maintenance bond receipts	15,725	36,025
Contractor maintenance bond payments	(26,725)	(12,360)
Proceeds from assessments	-	27,176
Proceeds from sale of capital assets	1,811	-
Cash received from developers	3,246	83,524
Contractor retainage receipts	193,082	988,038
Contractor retainage payments	(220,087)	(70,260)
Proceeds from capital related interfund receivable	-	71,573
Proceeds from capital related grants	1,873,530	278,364
Advances to other funds	(37,457)	(42,263)
Proceeds from transfers to/from County	-	36,312
System capacity charges	1,751,542	2,082,230
Net cash used by capital and related financing activities	(10,600,019)	(18,941,019)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(33,356,908)	(27,080,119)
Investment sales	39,626,570	40,277,118
Interest received on investments	2,097,359	1,749,905
Net cash provided (used) by investing activities	8,367,021	14,946,904
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,964,336	2,548,532
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,564,582	5,016,050
CASH AND CASH EQUIVALENTS AT END OF YEAR	$11,528,918	$ 7,564,582
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	($1,562,368)	($ 493,277)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,476,921	6,535,506
Change in assets and liabilities:		
Net change in customer accounts receivable	128,638	471,882
Net change in inventory	2,513	20,329
Net change in operating accounts payable	114,556	(23,822)
Net change in accrued payroll and related expenses	37,074	32,029
Net cash provided by operating activities	$ 6,197,334	$ 6,542,647
NON-CASH TRANSACTIONS:		
Contributions from developers	$ 6,085,702	$ 5,215,193
OPWC loans receivable	2,190,000	1,833,700
Net change in the fair value of investments	191,339	227,890
Total non-cash transactions	$ 8,467,041	$ 7,276,783

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

1. Summary of Significant Accounting Policies

Organization

The Clermont County Sewer District (District), which includes a waterworks system and a sewer system, operates as enterprise funds 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 number of customers located in Hamilton County. Customers consist of residential, industrial, and commercial accounts.

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 after November 30, 1989, unless they conflict with GASB pronouncements.

Cash and Investments

Cash and investments consist of the District's portion of the County's pooled cash and investment balances, contractor retainage accounts and funds maintained with a trustee in accordance with revenue bond legislation. During 2007 investments were limited to treasury notes, treasury bills and money market accounts. Investments are reported at fair value which is based on quoted market prices. Note 2 provides additional information regarding the District's cash and investments.

Statements 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.

Inventory

Inventory of supplies are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory is expensed when consumed rather than when purchased.

Restricted Assets

Restricted assets represent various trust account balances and applicable interest receivable for revenue bond trust accounts established in accordance with bond legislation for specific purposes. Retainage accounts represent funds withheld from construction contractors payments restricted under the terms of the construction contracts.

Capital Assets

Capital assets include property, plant, equipment and collection systems. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are stated at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and updated for the cost of additions and retirements during the year. Interest incurred during construction is capitalized until substantial completion of the project.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

Description	Years
Structures	15-50
Machinery	3-50
Collection systems	50
Autos and trucks	5-10

Interfund Receivable

During 2007, 2006 and 2005, the District advanced $37,457, $42,263 and $44,090, respectively, to the County to fund debt service for special assessment debt on deferred assessments. Upon receipt of the deferred assessment by the County, the total advance of $123,810 will be repaid to the District.

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 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.

Unamortized Financing Costs

The unamortized financing costs include costs incurred in connection with prior revenue bond issues and the 2003 refunding. These costs are being amortized on the interest method over the lives of the revenue bonds and are included as interest expense. The amount amortized was $201,121 and $208,632 for 2007 and 2006, respectively.

Compensated Absences

Vacation, personal leave and compensatory benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on sick leave accumulated at December 31, by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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 under a County recognized retirement plan, with a minimum of ten years of service, are paid one-fourth of accumulated sick time upon retirement. Such payment may not exceed the value of thirty days of accrued but unused sick leave. However, if employees earned sick leave prior to January 23, 1984, they are eligible for 100 percent conversion of this amount. All sick, vacation personal and compensation payments are made at the employees' current wage rate.

Contractor Maintenance Bonds Payable

Contractor maintenance bonds payable represent contractor payments to the District as security for contract performance. Upon successful completion of the construction contract and acceptance by the District, the maintenance bond is returned to the contractor.

Self Insurance

The District, as an enterprise fund of the County, participates in the self insurance program for employee care benefits. During 2007, the programs were administered by Humana Inc., Dental Care Plus and EyeMed Insurance, which provide claims review and processing services. The District is charged its proportionate share for covered employees.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from charges for waste water treatment and other services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the District. Revenues which do not meet this criteria are considered non-operating and reported as such. All revenue is used as security for revenue bonds.

Capital Contributions

Contributions of capital arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction, and system capacity charges. During 2007 and 2006, the following capital contributions were received:

	2007	2006
Grants earned	$ 838,105	$1,796,382
Donated assets	6,085,702	5,215,193
System capacity charges	1,751,542	2,082,230
Assessment proceeds	-	27,176
Cash contributions from developers	3,246	83,524
Total	$8,678,595	$9,204,505

Interfund Activity

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 special assessment 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 2007 and 2006, no funds were required to be contributed by the District.

During 2006, the County transferred $36,976 of proceeds from the issuance of special assessment bonds to the District to reimburse applicable assessment project construction costs. During 2006, the District transferred $664 of those proceeds back to other County funds as a result of overfunding of related project costs.

In addition, the District is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2007 and 2006 were $228,847 and $213,330 respectively and are classified as contractual services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash, Cash Equivalents and Investments

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

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

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

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days.

4. Bonds and other obligations of the State of Ohio.

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

6. The State Treasurer’s investment pool (STAR Ohio).

7. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any time.

8. Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits
Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or a member bank of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The County maintains a cash and investment pool used by all funds of the County, including the District. The District's portion of the pooled is displayed on the statement of net assets as "Equity in pooled cash and cash equivalents." As of December 31, 2007 and 2006, the carrying amount of the District's portion of the pool totaled $3,777,840 and $3,332,904, respectively. The District's portion of the pool can not be separately classified by risk. The County's financial statements provide risk disclosures pertaining to the entire cash and investment pool.

The District maintains funds in contractor retainage accounts that represent cash retained from construction contractor payments until satisfactory completion of projects. As of December 31, 2007 the bank and carrying amount of retainage accounts totaled $1,043,593. Based on criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures" $496,812 of the Districts bank balances of $1,043,593 was exposed to custodial risk as discussed above, while $546,781 was covered by FDIC Insurance. As of December 31, 2006 the bank and carrying amount of retainage accounts totaled $1,070,598 of which $506,955 was exposed to custodial risk and $563,643 was covered by FDIC Insurance.

Investments
The District's investments at December 31, 2007 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$17,756,800	.42
Treasury Notes	15,293,227	2.25
Money Market Accounts	6,707,485	.00
Total Fair Value	$39,757,512	
Portfolio Weighted Average Maturity		1.04

The District's investments at December 31, 2006 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$ 4,027,876	.47
Treasury Notes	35,100,474	2.09
Money Market Accounts	3,161,080	.00
Total Fair Value	$42,289,430	
Portfolio Weighted Average Maturity		1.78

Interest Rate Risk – In accordance with the County's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average of its investment portfolio to three years.

Credit Risk – It is the County's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in the Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investment Services.

Concentration of Credit Risk – The County's investment policy allows investments, other than US Treasury Obligations, in Federal agencies or instrumentalities to be limited to fifty percent of total investments with the further limitation of twenty percent of the total investments in obligations of any one issuer.

*C*ustodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation of cash, cash equivalents and investments on the financial statements and the classification per GASB Statement No 3 at December 31, 2007 follows:

	Fair Value Cash and Investments	Fair Value Investments
Per Balance Sheet	$11,528,918	$33,050,027
Money market funds	(6,707,485)	6,707,485
Per GASB Statement No. 3	$ 4,821,433	$39,757,512

A reconciliation of cash, cash equivalents and investments at December 31, 2006 follows:

	Fair Value Cash and Investments	Fair Value Investments
Per Balance Sheet	$ 7,564,582	$39,128,350
Money market funds	(3,161,080)	3,161,080
Per GASB Statement No. 3	$ 4,403,502	$42,289,430

3. Capital Assets

The following summarizes the changes to capital assets during 2007.

Class	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	$ 3,097,415	$ 476,315	$ -	$ 3,573,730
Construction in progress	33,569,780	12,252,089	(33,692,630)	12,129,239
Capital assets being depreciated:				
Structure	91,585,276	22,096,525	(3,441,014)	110,240,787
Machinery	12,633,218	127,933	-	12,761,151
Collection systems	125,997,240	16,965,037	-	142,962,277
Autos and trucks	1,250,474	361,368	(191,990)	1,419,852
Total cost	$ 268,133,403	$52,279,267	($37,325,634)	$283,087,036
Accumulated depreciation:				
Structure	($56,908,407)	($4,131,848)	$ 3,039,185	($58,001,070)
Machinery	(8,871,914)	(300,873)	-	(9,172,787)
Collection systems	(48,191,635)	(2,973,333)	-	(51,164,968)
Autos and trucks	(1,006,570)	(70,867)	191,990	(885,447)
Accumulated depreciation	($114,978,526)	($7,476,921)	$ 3,231,175	($119,224,272)
Net value	$ 153,154,877			$ 163,862,764

Assets contributed by developers and others in 2007 amounted to $6,085,702.

4. Long-Term Debt

For the year ended December 31, 2007, changes in long-term debt consisted of the following:

	Maturity/ Interest Rate	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007	Amount Due Within One Year
Ohio Water Development Authority	2013					
Notes - $2,900,437	5.2-6.5%	$ 1,147,903	$ -	$ 165,011	$ 982,892	$ 173,988
OPWC	2028					
Loans - $11,459,910	0-2%	7,385,701	2,190,000	236,307	9,339,394	443,492
2003 Sewer System Refunding Revenue	2024					
Bonds - $39,345,000	1.5-4.9%	34,260,000	-	1,700,000	32,560,000	1,750,000
Total		$42,793,604	$2,190,000	$2,101,318	$42,882.286	$2,367,480

Principal and interest payments on long-term debt are as follows:

Year	OWDA Notes	OWDA Note Interest	OPWC Loans	OPWC Loans Interest	Revenue Bonds	Revenue Bond Interest	Total
2008	$173,988	$ 51,184	$ 443,492	$ 8,535	$ 1,750,000	$ 1,365,670	$ 3,792,869
2009	183,456	41,715	554,186	7,342	1,805,000	1,313,170	3,904,869
2010	193,443	31,728	555,403	6,124	1,875,000	1,240,970	3,902,668
2011	204,134	21,037	556,644	4,882	1,950,000	1,165,970	3,902,667
2012	198,096	10,074	557,912	3,616	2,030,000	1,087,970	3,887,668
2013-2017	29,775	1,287	2,600,588	3,329	11,435,000	4,148,713	18,218,692
2018-2022	-	-	2,154,445	-	11,250,000	1,464,825	14,869,270
2023-2027	-	-	1,807,224	-	465,000	34,544	2,306,768
2028	-	-	109,500	-	-	-	109,500
	$982,892	$157,025	$9,339,394	$33,828	$32,560,000	$11,821,832	$54,894.971

Notes payable at December 31, 2007 consist of $982,892 due to the Ohio Water Development Authority. Payments of principal and interest are payable semi-annually through 2013 and include interest at rates ranging from 5.20 percent to 6.50 percent per annum.

OPWC loans payable at December 31, 2007, consist of various individual loans totaling $9,339,394 due to the Ohio Public Works Commission for specified sewer system construction costs. During 2007, the District received one additional non-interest bearing loan totaling $2,190,000. Payments of principal and interest are payable semi-annually through 2028 and include interest at rates ranging from 0 to 2 percent per annum.

During 2003 the District issued Sewer System Refunding Revenue Bonds, Series 2003, dated September 15, 2003 to retire the outstanding Series 1993 Sewer Revenue Bonds and to refund the balance of the 1984 O'Bannon Creek revenue bonds. The Series 2003 bonds will mature on August 1 in various amounts ranging from $1,750,000 in 2008 to $240,000 in 2024, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3 percent to 4.90 percent per annum, is payable semi-annually on February1 and August 1.

The Sewer System Refunding Revenue Bonds, Series 2003, Legislation provides that the County will charge rates and restrict operating and maintenance expenses as shall result in net revenues of the sewer system 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 Sewer System Refunding Revenue Bonds, Series 2003 legislation is as follows:

Loss before contributions and transfers	($1,552,185)
Add items to convert income to pledged revenues:	
Interest paid on debt	1,486,536
Deferred debt amortization	201,121
Depreciation expense	7,476,921
System capacity charges	1,751,542
Net pledged revenues	$ 9,363,935
Debt service requirement on bonds during 2007	$ 3,116,670
Coverage ratio	300%
Required coverage ratio	110%

5. Other Contingent Liabilities

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.

6. Defined Benefit Pension Plans

All employees of the District participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were $321,573, $303,586 and $284,557 respectively; all of which have been contributed.

7. Post-Employment Benefits Other than Pension Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB statement No.* 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent from January 1, 2007 through June 30, 2007 and 6.00 percent from July 1, 2007 through December 31, 2007 of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment benefits were $127,677. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

8. Other Employee Benefits

As part of the County, District employees have the option of participating in four state-wide deferred compensation plans created in accordance with the Internal Revenue Code Section 457. Under this program, employees elect to have a portion of their pay deferred until a future time. According to this plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred pay and any income earned thereon is not subject to income tax until actually received by the employee. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) must be held in a trust, custodial account, or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Deferred amounts from the plan are not considered “made available” just because a trust, custodial account or annuity contract holds these amounts. The Plan Agreement states that the County and the plan administrators have no liability for losses under the plan with the exception of fraud or wrongful taking.

9. Risk Management

As an enterprise fund of the Clermont County, Ohio, the District’s risk management policies are those that are implemented by the County.

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Arthur J. Gallagher & Co. administers all County real and personal property, comprehensive general liability including law enforcement liability and public officials liability, blanket crime coverage, fleet insurance, and a comprehensive boiler and machinery coverage.

Other than blanket crime, coroner's professional liability and boiler and machinery, all coverage falls under the County's protected self-insurance program. St. Paul Fire & Marine Insurance Company provides an $11,000,000 per occurrence limit Liability Package for General Liability, Automobile Liability, Law Enforcement Liability, Public Entity Management Liability and a $2,000,000 limit for Employment Practices Liability. Traveler's Indemnity Company provides a $100,000,000 per occurrence limit for real and personal property coverage. Coverage in the protected self-insurance program is subject to the following per occurrence retentions/deductibles: Property - $50,000 deductible, Automobile - $25,000 retention, All other Liability - $100,000 retention, Combined Maximum (Liability) - $100,000 retention and Maximum per Year (Liability) - $500,000 retention.

Travelers Property Casualty Company of America provides the County's Boiler & Machinery coverage with limits up to $50,000,000, subject to a $10,000 deductible. Travelers Casualty and Surety Company of America provides the County's crime insurance with limits up to $250,000 for dishonest acts of employees, subject to a $5,000 deductible and limits up to $75,000 for theft, disappearance or destruction of money and securities, subject to a $1,000 deductible. Evanston Insurance Company provides the County's Professional Liability coverage related to the Coroner with limits of $1,000,000, subject to a $10,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past 5 years.

The County pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs. The District pays into the County's Workers Compensation Fund an allocated potion of the County premium based on the Districts' salaries and accident history. The County has elected to provide employees major medical, dental, vision and hospitalization through a self-insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. Third party administrators Humana Inc., Dental Care Plus and EyeMed Insurance Companies, review and pay all claims utilizing County funds. The County purchases stop-loss coverage of $150,000 per employee and an aggregate limit of $2,000,000. In 2007, the District paid into the self-insurance fund $745.54 for family coverage and $334.44 for individual coverage per employee per month, which represented 73-99% of the required premium based on the individual employee benefit selections. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The County's Comprehensive Annual Financial Report contains information for the County's Health Insurance fund, including changes in the Health Insurance Fund's claims liability.

10. Construction Commitments

As of December 31, 2007, the District had contractual commitments as follows:

Original Contract Amounts	Paid to Date	Remaining Commitments
$24,156,332	$15,643,237	$8,513,095

11. Reclassifications to Prior Reported Amounts

Beginning in 2007, unamortized financing costs are required to be considered in the computation of unrestricted net assets. Amounts previously reported for 2006 were based on the requirement that unamortized financing costs were to be included in the computation of net assets, invested in capital assets, net of related debt. Due to the required change in presentation, amount previously reported for 2006 have been restated to conform to the 2007 method of presentation. Total net assets as of December 31, 2006 remain unchanged from amounts previously reported.

CLERMONT COUNTY SEWER DISTRICT
WATER SYSTEM

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

for the years ended December 31, 2007 and 2006

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Bastin & Company, LLC

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, an enterprise fund of Clermont County, Ohio, as of and for the years ended December 31, 2007 and 2006 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, and do not, present fairly the financial position of Clermont County, Ohio, as of December 31, 2007 and 2006 and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007 and 2006 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 to 8 is not a required part of the basic financial statements but is 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.

Bastin & Company, LLC

Cincinnati, Ohio
April 18, 2008

4286 Mt. Carmel – Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

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 years ended December 31, 2007 and 2006.

FINANCIAL HIGHLIGHTS

- The Water System's net assets increased by $5.6 million or 5.6% in 2007.
- During the year, the System generated $2.6 million from operations and used $.4 million for other financing activities, principally for interest expense.
- The operating income was up $1.3 million from 2006, due to higher revenues that resulted from a combination of a rate increase that went into effect March 1, 2007 and a 14% increase in the volume of water sold due to a dry summer.
- Debt decreased $2.1 million due to the scheduled retirement of debt.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets (Page 9) and the Statement of Revenues, Expenses and Changes in Net Assets (page 10), 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 Changes in 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 of 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 year's revenues and expenditures are taken into account regardless of when cash is received or paid. The final financial statement is the Statement of Cash Flows (Page 11). 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 $101.3 million to $106.9 million during 2007. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System comparing 2007 to 2006 and comparing 2006 to 2005.

Table 1

NET ASSETS (in Millions)	2007	2006	2005
Current and Other Assets	$ 28.5	$ 27.6	$ 27.7
Capital Assets	109.5	108.2	105.4
Total Assets	138.0	135.8	133.1
Long Term Debt Outstanding	27.2	29.4	31.5
Other Liabilities	3.9	5.1	4.7
Total Liabilities	31.1	34.5	36.2
Net Assets:			
Invested in capital assets, net of debt	80.1	76.7	71.9
Restricted for debt service	3.5	4.3	4.2
Unrestricted	23.3	20.3	20.8
Total Net Assets	$106.9	$101.3	$ 96.9

For 2007, net assets of the System increased by 5.6%. 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 $3.0 million in 2007. Restricted assets decreased in 2007 by $0.8 million. The investment in capital assets, net of debt, increased $3.4 million. This increase reflects capital assets financed from the System's net assets, which ($3.4 million) came from capital contributions in the form of system capacity fees, donated assets, assessments and grants.

For 2006, net assets of the System increased by 4.5%. Unrestricted net assets decreased by $0.5 million in 2006. Restricted assets increased in 2006 by $0.1 million. The investment in capital assets, net of debt, increased $4.8 million. This increase reflects capital assets financed from the System's net assets, of which a part ($3.1 million) came from capital contributions in the form of system capacity fees, donated assets, assessments and grants. The remaining portion of the increase came from unrestricted assets.

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.

Table 2

CHANGE IN NET ASSETS (in Millions)		2007	2006	2005
Operating Revenues	Charges for Services	$13.3	$10.6	$11.0
	New Meters, Services & Reviews	0.4	0.5	0.8
	Other Operating Revenues	0.3	0.3	0.3
	Total Operating Revenues	14.0	11.4	12.1
Operating Expenses	Operating Expenses	7.6	6.6	6.7
	Depreciation Expense	3.8	3.5	3.4
	Total Operating Expense	11.4	10.1	10.1
	Operating Income	2.6	1.3	2.0
Non-Operating Revenues	Interest Income	0.9	0.8	0.5
	Net Change in Market Value of Investments	0.2	0.1	0.0
	Interest and Fiscal Charges	(1.5)	(1.5)	(1.6)
	Income before Contributions	2.2	0.7	0.9
Contributions/Transfers	Capital Contributions and Transfers	3.4	3.7	4.4
Change in Net Assets	**Total Change in Net Assets**	$ 5.6	$ 4.4	$ 5.3

As seen in Table 2 the Water System's income before capital contributions of $2.2 million and capital contributions/transfers of $3.4 million were the two sources of the increase in net assets of $5.6 million. Operating revenues increased $2.6 million due to the combination of a rate increase that went into effect March 1, 2007 and a 14% increase in the volume of water sold due to a dry summer. Operating expenses increased by $1.3 million from 2006 to 2007 primarily due to higher levels of contract services and depreciation expenses. Contributions/transfers decreased by $0.3 million due to reductions in capacity fees tied to a slower housing market.

For 2006 income before capital contributions of $0.7 million and capital contributions/transfers of $3.7 million were the two sources of the increase in net assets of $4.4 million. Net non-operating revenues increased $0.4 million due to increases in interest income and the values of investments held. Operating expenses remained constant from 2005 to 2006. Contributions/transfers decreased by $0.7 million primarily due to a lower level of donated assets from developers.

The following financial ratios 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 finance operations with cash. The strong 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 level of Days Cash and Investments continues to represent the strong cash balances of the system.

FINANCIAL RATIOS ($ in thousands)

	2001	2002	2003	2004	2005	2006	2007
Working Capital	$31,853	$32,443	$30,053	$23,306	$19,716	$19,239	$21,989
Current Ratio	44.8	52.6	17.4	14.4	13.3	10.1	22.6
Days Cash & Investments	1,966	1,908	1,771	1,449	1,145	1,154	1,083
Liabilities to Net Assets	59%	53%	46%	42%	37%	34%	29%
Return on Assets	3%	4%	3%	2%	2%	2%	3%
Days in Receivables	70	61	85	63	56	60	50

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 indicates 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 amounts billed to customers

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Water System had $172.7 million invested in capital assets including water lines, booster stations, storage tanks, treatment plants in operation or under construction. This amount represents a net increase in 2007 of $4.9 million.

During 2007, major additions/completions included:

$2.7 Million for the Locust Corner Booster
$2.2 Million for the Mt. Carmel Tobasco Water Main
$2.3 Million for the RPM Pipe Replacement Project
$1.9 Million of developer donated waterlines
$1.9 Million for the Branch Hill Elevated Storage Tank

At the end of 2006, the Water System had $167.8 million invested in capital assets. This amount represents a net increase in 2006 of $6.3 million.

During 2006, major additions/completions included:

$2.8 Million for the Clough/GlenEste 2MG Storage tank
$2.6 Million for the Loveland-Miamiville 2MG Storage tank
$1.9 Million for the Tealtown/Schoolhouse/Elick Water Main
$1.5 Million of developer donated waterlines
$0.8 Million for the Klondke Road Water Line

Capital Assets at Year-End (Net of Depreciation, in millions)	2007	2006	2005
Land	$ 2.6	$ 2.2	$ 2.0
Structures	67.5	61.5	56.2
Machinery	7.5	7.5	7.3
Distribution Systems	92.1	84.7	80.2
Autos/Trucks	1.2	1.1	1.0
Construction in Progress	1.8	10.8	14.8
Subtotal Capital Assets	172.7	167.8	161.5
Accumulated Depreciation	(63.2)	(59.6)	(56.1)
Total Capital Assets	$109.5	$108.2	$105.4

The Water System's 2008 capital plan anticipates a spending level of $10.4 million for capital projects.

Additional information on the District's capital assets can be found in Note 3 on page 19 of this report.

Debt

At December 31, 2007 the System had $29.4 million in bonds and loans outstanding, a reduction of $2.1 million, or 6.7%, from 2006. At December 31, 2006 the System had $31.5 million in bonds and loans outstanding, a reduction of $2.0 million, or 6.0%, from 2005. The reductions are a result of scheduled debt service payments. The outstanding 2003 Revenue Bonds carry interest rates varying from 3.40%-5.25%.

Outstanding Debt, at Year-End (in millions)	2007	2006	2005
2003 Revenue Bonds	$28.9	$31.0	$33.0
OPWC Loans	0.5	0.5	0.5
Total Debt	$29.4	$31.5	$33.5

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 250 percent for 2007 and 207 percent for 2006. The impact of this is that the System has the ability and the capacity to finance additional debt.

Debt Coverage Ratio (in millions)	2007	2006
Income before contributions and transfers	$2.2	$0.6
Add items to convert income to pledged revenues:		
Interest Paid on Bonds	1.4	1.5
Deferred Debt Amortization	0.1	0.1
Depreciation Expense	3.8	3.5
System Capacity Charges	1.2	1.5
Net Pledged Revenues	$8.7	$7.2
Debt Service Requirements during 2007/'06	$3.5	$3.5
Coverage Ratio	250 %	207 %
Required Coverage Ratio	110 %	110 %

Additional information on the District's debt can be found in Note 5 on page 20 of this report.

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
WATER SYSTEM
STATEMENTS OF NET ASSETS
December 31, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS:		
Equity in pooled cash and cash equivalents	$ 4,055,803	$ 3,408,907
Cash and cash equivalents in segregated accounts	3,772,155	1,999,472
Investments in segregated accounts	13,113,475	13,953,925
Accounts receivable (net of allowance for doubtful accounts of $21,376 for 2007 and $20,004 for 2006)	1,814,066	1,735,761
Inventory of supplies at cost	250,343	265,182
Total current assets	23,005,842	21,363,247
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents in segregated accounts	988,643	1,604,659
Investments in segregated accounts	3,007,280	3,143,968
Contractor retainage accounts	180,338	298,711
Accrued interest	95,169	180,464
Total restricted assets	4,271,430	5,227,802
Capital assets not being depreciated	4,408,760	13,070,807
Capital assets being depreciated	105,103,297	95,121,797
Grant receivable	485,814	38,711
Unamortized financing costs	567,440	664,378
Non current receivables	250,626	313,626
Total noncurrent assets	115,087,367	114,437,121
TOTAL ASSETS	138,093,209	135,800,368

LIABILITIES

	2007	2006
CURRENT LIABILITIES:		
Accounts payable	634,781	1,791,539
Accrued wages and benefits	318,395	258,811
Contractor maintenance bonds payable	63,204	74,205
Total current liabilities	1,016,380	2,124,555
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of OPWC debt	26,435	26,435
Current portion of revenue bonds payable	2,125,000	2,070,000
Accrued interest payable	559,958	582,815
Contractor retainages payable	180,338	298,711
Total current liabilities payable from restricted assets	2,891,731	2,977,961
NONCURRENT LIABILITIES:		
Long term portion of OPWC debt	422,957	449,392
Long term portion of revenue bonds payable	26,815,000	28,940,000
Total noncurrent liabilities	27,237,957	29,389,392
TOTAL LIABILITIES	31,146,068	34,491,908

NET ASSETS

	2007	2006
Invested in capital assets, net of related debt	80,122,665	76,706,777
Restricted for debt service	3,531,134	4,346,276
Unrestricted	23,293,342	20,255,407
TOTAL NET ASSETS	$106,947,141	$101,308,460

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

CLERMONT COUNTY SEWER DISTRICT
WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the years ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Charges for services	$13,328,490	$10,592,620
New meters, services & reviews	403,755	542,489
Other revenues	286,396	253,150
Total operating revenues	14,018,641	11,388,259
OPERATING EXPENSES:		
Personnel services	2,869,920	2,627,514
Contractual services	919,078	545,080
Maintenance and repair	683,698	643,240
Materials and supplies	1,561,981	1,613,267
Utilities	1,376,014	1,212,060
Depreciation	3,821,376	3,495,807
Other	136,265	2,027
Total operating expenses	11,368,332	10,138,995
OPERATING INCOME	2,650,309	1,249,264
NONOPERATING REVENUES (EXPENSES):		
Interest income	908,294	811,232
Net increase (decrease) in value of investments	176,442	104,107
Interest and fiscal charges	(1,472,836)	(1,534,736)
Loss on disposal of capital assets	(28,114)	-
Total nonoperating revenues (expenses)	(416,214)	(619,397)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,234,095	629,867
Transfers-in from County	-	636,224
Transfers-out to County	-	(664)
Capital contributions	3,404,586	3,146,032
CHANGE IN NET ASSETS	5,638,681	4,411,459
NET ASSETS BEGINNING OF YEAR	101,308,460	96,897,001
NET ASSETS END OF YEAR	$106,947,141	$101,308,460

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

CLERMONT COUNTY SEWER DISTRICT
WATER SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$13,653,807	$11,087,970
Payments to suppliers	(4,595,260)	(4,102,225)
Payments to employees	(2,810,336)	(2,603,469)
Other receipts	286,529	253,150
Net cash provided by operating activities	6,534,740	4,635,426
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and interest paid on long-term debt	(3,495,190)	(3,490,338)
Construction and acquisition of capital assets	(4,610,270)	(4,282,724)
Contractor maintenance bond receipts	15,725	36,025
Contractor maintenance bond payments	(26,726)	(12,360)
Proceeds from assessments	-	116,165
Proceeds from transfers to/from County	-	635,560
Proceeds from sale of capital assets	2,350	-
Contractor retainage receipts	114,322	123,764
Contractor retainage payments	(232,695)	(284,595)
Proceeds from capital related interfund receivable	-	36,830
Proceeds from capital related grants	38,711	-
System capacity charges, including those from non-current receivables	1,197,054	1,528,292
Net cash used by capital and related financing activities	(6,996,719)	(5,593,381)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(11,156,978)	(12,565,040)
Investment sales	12,310,558	13,470,323
Interest received on investments	993,589	698,105
Net cash provided by investing activities	2,147,169	1,603,388
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,685,190	645,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,311,749	6,666,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,996,939	$ 7,311,749
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$2,650,309	$1,249,264
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,821,376	3,495,807
Change in assets and liabilities:		
Net change in inventory	14,839	(51,060)
Net change in operating accounts receivable	(78,305)	(47,139)
Net change in operating accounts payable	66,937	(35,491)
Net change in accrued payroll and related expenses	59,584	24,045
Net cash provide by operating activities	$ 6,534,740	$ 4,635,426
NON-CASH TRANSACTIONS:		
Contributions from developers	$1,784,718	$1,517,864
Net change in the fair value of investments	176,442	104,107
Total non-cash transactions	$ 1,961,160	$ 1,621,971

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

1. Summary of Significant Accounting Policies

Organization

The Clermont County Sewer District (District), which includes a waterworks system and a sewer system, operates as enterprise funds 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 number of customers located in Hamilton County. Customers consist of residential, industrial, and commercial accounts.

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 after November 30, 1989, unless they conflict with GASB pronouncements.

Cash and Investments

Cash and investments consist of the District’s portion of the County’s pooled cash and investment balances, contractor retainage accounts and funds maintained with a trustee in accordance with revenue bond legislation. During 2007 investments were limited to treasury notes, treasury bills and money market accounts. Investments are reported at fair value which is based on quoted market prices. Note 2 provides additional information regarding the District’s cash and investments.

Statements 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.

Inventory

Inventory of supplies are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory is expensed when consumed rather than when purchased.

Restricted Assets

Restricted assets represent various trust account balances and applicable interest receivable for revenue bond trust accounts established in accordance with bond legislation for specific purposes. Retainage accounts represent funds withheld from construction contractors payments restricted under the terms of the construction contracts.

Capital Assets

Capital assets include property, plant, equipment and distribution systems. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are stated at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and updated for the cost of additions and retirements during the year. Interest incurred during construction is capitalized until substantial completion of the project.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

Description	Years
Structures	15-50
Machinery	3-50
Distribution systems	50
Autos and trucks	5-10

Unamortized Financing Costs

The unamortized financing costs include costs incurred in connection with prior revenue bond issues and the 2003 refunding. These costs are being amortized on the interest method over the lives of the revenue bonds and are included as interest expense. The amount amortized was $96,938 and $100,894 for 2007 and 2006, respectively.

Compensated Absences

Vacation, personal leave and compensatory benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on sick leave accumulated at December 31, by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

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 under a County recognized retirement plan, with a minimum of ten years of service, are paid one-fourth of accumulated sick time upon retirement. Such payment may not exceed the value of thirty days of accrued but unused sick leave. However, if employees earned sick leave prior to January 23, 1984, they are eligible for 100 percent conversion of this amount. All sick, vacation personal and compensation payments are made at the employees' current wage rate.

Contractor Maintenance Bonds Payable

Contractor maintenance bonds payable represent contractor payments to the District as security for contract performance. Upon successful completion of the construction contract and acceptance by the District, the maintenance bond is returned to the contractor.

Self Insurance

The District, as an enterprise fund of the County, participates in the self insurance program for employee care benefits. During 2007, the programs were administered by Humana Inc., Dental Care Plus and EyeMed Insurance, which provide claims review and processing services. The District is charged its proportionate share for covered employees.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from charges for water treatment and other services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the District. Revenues which do not meet this criteria are considered non-operating and reported as such. All revenue is used as security for revenue bonds.

Capital Contributions

Contributions of capital arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction, and system capacity charges. During 2007 and 2006, the following capital contributions were received:

	2007	2006
Grants earned	$ 485,814	$ 38,711
Assessment proceeds	-	116,165
Donated assets	1,784,718	1,517,864
System capacity charges	1,134,054	1,473,292
Total	$3,404,586	$3,146,032

Interfund Activity

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 special assessment 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 2007 and 2006, no funds were required to be contributed by the District.

During 2006, the County transferred $636,224 of proceeds from the issuance of special assessment bonds to the District to reimburse applicable assessment project construction costs. During 2006, the District transferred $664 of those proceeds back to other County funds as a result of overfunding of related project costs.

In addition, the District is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2007 and 2006 were $182,648 and $150,417 respectively and are classified as contractual services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash, Cash Equivalents and Investments

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

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

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

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days.

4. Bonds and other obligations of the State of Ohio.

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any time.

8. Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits
Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or a member bank of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The County maintains a cash and investment pool used by all funds of the County, including the District. The District's portion of the pooled is displayed on the statement of net assets as "Equity in pooled cash and cash equivalents." As of December 31, 2007 and 2006, the carrying amount of the District's portion of the pool totaled $4,055,803 and $3,408,907, respectively. The District's portion of the pool can not be separately classified by risk. The County's financial statements provide risk disclosures pertaining to the entire cash and investment pool.

The District maintains funds in contractor retainage accounts that represent cash retained from construction contractor payments until satisfactory completion of projects. As of December 31, 2007 and 2006, the bank and carrying amount of retainage accounts totaled $180,338 and $298,711, respectively, all of which was covered by FDIC Insurance.

Investments
The District's investments at December 31, 2007 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$ 2,974,130	.42
Treasury Notes	13,146,625	1.56
Money Market Accounts	4,760,798	.00
Total Fair Value	$20,881,553	
Portfolio Weighted Average Maturity		1.04

The District's investments at December 31, 2006 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$ 2,094,436	.43
Treasury Notes	15,003,457	2.18
Money Market Accounts	3,604,131	.00
Total Fair Value	$20,702,024	
Portfolio Weighted Average Maturity		1.63

Interest Rate Risk - In accordance with the County's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average of its investment portfolio to three years.

Credit Risk - It is the County's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in the Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investment Services.

Concentration of Credit Risk - The County's investment policy allows investments, other than US Treasury Obligations, in Federal agencies or instrumentalities to be limited to fifty percent of total investments with the further limitation of twenty percent of the total investments in obligations of any one issuer.

*C*ustodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation of cash, cash equivalents and investments on the financial statements and the classification per GASB Statement No. 3 at December 31, 2007 follows:

	Fair Value Cash and Investments	Fair Value Investments
Per Balance Sheet	$ 8,996,939	$16,120,755
Money market funds	(4,760,798)	4,760,798
Per GASB Statement No. 3	$ 4,236,141	$20,881,553

A reconciliation of cash, cash equivalents and investments at December 31, 2006 follows:

	Fair Value Cash and Investments	Fair Value Investments
Per Balance Sheet	$ 7,311,749	$17,097,893
Money market funds	(3,604,131)	3,604,131
Per GASB Statement No. 3	$ 3,707,618	$20,702,024

3. Capital Assets

The following summarizes the changes to capital assets during 2007.

Class	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	$ 2,256,009	$ 338,324	$ -	$ 2,594,333
Construction in progress	10,814,798	3,523,981	(12,524,352)	1,814,427
Capital assets being depreciated:				
Structure	61,461,080	6,175,629	(152,324)	67,484,385
Machinery	7,452,117	17,451	-	7,469,568
Distribution systems	84,695,726	7,439,640	-	92,135,366
Autos and trucks	1,083,596	200,620	(34,764)	1,249,452
Total cost	$167,763,326	$17,695,645	($12,711,440)	$172,747,531
Accumulated depreciation				
Structure	($26,832,074)	($1,790,334)	$ 121,860	($28,500,548)
Machinery	(5,720,077)	(208,185)	-	(5,928,262)
Distribution systems	(26,223,043)	(1,765,023)	-	(27,988,066)
Autos and trucks	(795,528)	(57,834)	34,764	(818,598)
Accumulated depreciation	($59,570,722)	($3,821,376)	$ 156,624	($63,235,474)
Net value	$108,192,604			$109,512,057

Assets contributed by developers and others in 2007 amounted to $1,784,718.

4. Noncurrent Receivables

The District entered into agreements with the Villages of Batavia and Williamsburg, Ohio for payment of system capacity charges. Total balances due to the District were $313,626 and $368,626 at December 31, 2007 and 2006, respectively. The current portion of the receivable balances are reflected as current accounts receivables. The Village of Batavia makes quarterly payments of $8,000 through July 2011 with a final payment of $7,626 due October 1, 2011. The Village of Williamsburg makes annual payments of $31,000 through January 2013. The system capacity charges are recorded as a capital contribution.

5. Long-Term Debt

For the year ended December 31, 2007, changes in long-term debt consisted of the following:

	Maturity/ Interest Rate	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007	Amount Due Within One Year
Revenue bonds:						
2003 Series Waterworks Refunding Revenue Bonds - $37,020,000	2018 1.2-5.25%	$31,010,000	$ -	$2,070,000	$28,940,000	$2,125,000
OPWC loans	2024					
2003 Loans - $528,696	0.0%	475,827	-	26,435	449,392	26,435
Total		$31,485,827	$ -	$2,096,435	$29,389,392	$2,151,435

Principal and interest payments on long-term debt are as follows:

	Revenue Bonds		OPWC Loans		
Year	Principal	Interest	Principal	Interest	Total
2008	$ 2,125,000	$1,343,900	$ 26,435	$ -	$ 3,495,335
2009	2,195,000	1,271,650	26,435	-	3,493,085
2010	2,285,000	1,183,850	26,435	-	3,495,285
2011	2,375,000	1,092,450	26,435	-	3,493,885
2012	2,470,000	997,450	26,435	-	3,493,885
2013-2017	14,195,000	3,148,400	132,174	-	17,475,574
2018-2022	3,295,000	172,988	132,174	-	3,600,162
2023-2025	-	-	52,869	-	52,869
	$28,940,000	$9,210,688	$449,392	$ -	$38,600,080

During 2003 the District issued Waterworks System Refunding Revenue Bonds, Series 2003, dated September 1, 2003 to retire the outstanding Waterworks System Refunding Revenue Bonds, Series 1993.

The Series 2003 bonds will mature on August 1 in various amounts ranging from $2,125,000 in 2008 to $3,295,000 in 2018, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 1.2 percent to 5.25 percent per annum, is payable semi-annually on February 1 and August 1.

In addition, during 2003, the District received a non-interest bearing loan of $528,696 due to the Ohio Public Works Commission for specified water system construction costs. The loan requires semi-annual payments of $13,217 that commenced on July 1, 2005 and continue through January 1, 2025.

The Waterworks System Refunding Revenue Bonds, Series 2003, Legislation provides that the County will charge rates and restrict operating and maintenance expenses as shall result in net revenues of the water system 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 Waterworks System Refunding Revenue Bonds, Series 2003 legislation is as follows:

Income before contributions and transfers	$2,234,095
Add items to convert income to pledged revenues:	
Interest paid on bonds	1,398,755
Deferred debt amortization	96,938
Depreciation expense	3,821,376
System capacity charges	1,134,054
Net pledged revenues	$8,685,218
Debt service requirement on bonds during 2006	$3,468,755
Coverage ratio	250%
Required coverage ratio	110%

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, 2007 and 2006 the amount of defeased debt outstanding amounted to $175,000 and $205,000, respectively.

7. Defined Benefit Pension Plans

All employees of the District participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The District’s contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District’s required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were $303,556, $273,857 and $258,889 respectively; all of which have been contributed.

8. Post-Employment Benefits Other than Pension Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB statement No.* 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent from January 1, 2007 through June 30, 2007 and 6.00 percent from July 1, 2007 through December 31, 2007 of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment benefits were $120,625. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

9. Other Employee Benefits

As part of the County, District employees have the option of participating in four state-wide deferred compensation plans created in accordance with the Internal Revenue Code Section 457. Under this program, employees elect to have a portion of their pay deferred until a future time. According to this plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred pay and any income earned thereon is not subject to income tax until actually received by the employee. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) must be held in a trust, custodial account, or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Deferred amounts from the plan are not considered "made available" just because a trust, custodial account or annuity contract holds these amounts. The Plan Agreement states that the County and the plan administrators have no liability for losses under the plan with the exception of fraud or wrongful taking.

10. Risk Management

As an enterprise fund of the Clermont County, Ohio, the District's risk management policies are those that are implemented by the County.

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Arthur J. Gallagher & Co. administers all County real and personal property, comprehensive general liability including law enforcement liability and public officials liability, blanket crime coverage, fleet insurance, and a comprehensive boiler and machinery coverage.

Other than blanket crime, coroner's professional liability and boiler and machinery, all coverage falls under the County's protected self-insurance program. St. Paul Fire & Marine Insurance Company provides an $11,000,000 per occurrence limit Liability Package for General Liability, Automobile Liability, Law Enforcement Liability, Public Entity Management Liability and a $2,000,000 limit for Employment Practices Liability. Traveler's Indemnity Company provides a $100,000,000 per occurrence limit for real and personal property coverage. Coverage in the protected self-insurance program is subject to the following per occurrence retentions/deductibles: Property - $50,000 deductible, Automobile - $25,000 retention, All other Liability - $100,000 retention, Combined Maximum (Liability) - $100,000 retention and Maximum per Year (Liability) - $500,000 retention.

Travelers Property Casualty Company of America provides the County's Boiler & Machinery coverage with limits up to $50,000,000, subject to a $10,000 deductible. Travelers Casualty and Surety Company of America provides the County's crime insurance with limits up to $250,000 for dishonest acts of employees, subject to a $5,000 deductible and limits up to $75,000 for theft, disappearance or destruction of money and securities, subject to a $1,000 deductible. Evanston Insurance Company provides the County's Professional Liability coverage related to the Coroner with limits of $1,000,000, subject to a $10,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past 5 years.

The County pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs. The District pays into the County's Workers Compensation Fund an allocated potion of the County premium based on the Districts' salaries and accident history. The County has elected to provide employees major medical, dental, vision and hospitalization through a self-insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. Third party administrators Humana Inc., Dental Care Plus and EyeMed Insurance Companies, review and pay all claims utilizing County funds. The County purchases stop-loss coverage of $150,000 per employee and an aggregate limit of $2,000,000. In 2007, the District paid into the self-insurance fund $745.54 for family coverage and $334.44 for individual coverage per employee per month, which represented 73-99% of the required premium based on the individual employee benefit selections. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The County's Comprehensive Annual Financial Report contains information for the County's Health Insurance fund, including changes in the Health Insurance Fund's claims liability.

11. Construction Commitments

As of December 31, 2007, the District had contractual commitments as follows:

Original Contract Amounts	Paid to Date	Remaining Commitments
$4,315,038	$2,004,800	$2,310,238

12. Reclassifications to Prior Reported Amounts

Beginning in 2007, unamortized financing costs are required to be considered in the computation of unrestricted net assets. Amounts previously reported for 2006 were based on the requirement that unamortized financing costs were to be included in the computation of net assets, invested in capital assets, net of related debt. Due to the required change in presentation, amount previously reported for 2006 have been restated to conform to the 2007 method of presentation. Total net assets as of December 31, 2006 remain unchanged from amounts previously reported.

13. Subsequent Events

Subsequent to December 31, 2007, the Clermont County Board of Commissioners reached a settlement agreement with a contractor who performed operational services for the District in years prior to 2007. The agreement requires the District to pay a lump sum settlement of $500,000 as final payment and full settlement for release of all claims and causes. Payment of the settlement is anticipated to be made in 2008.

Bastin & Company, LLC
Certified Public Accountants

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

The Honorable Board of County Commissioners
Clermont County, Ohio:

We have audited the financial statements of the Clermont County Sewer District, Water and Sewer Systems, (the District) as of and for the year ended December 31, 2007 and have issued our reports thereon dated April 18, 2008 wherein we noted the financial statements present only the Water and Sewer Systems of Clermont County, Ohio and are not intended to, and do not, present fairly the financial position of Clermont County, Ohio as of December 31, 2007 and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

4286 Mt. Carmel – Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

Compliance and Other Matters

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

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

Bastin & Company, LLC

Cincinnati, Ohio
April 18, 2008

Mary Taylor, CPA
Auditor of State

CLERMONT COUNTY WATER AND 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
JUNE 17, 2008

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