CLERMONT COUNTY WATER RESOURCES DEPARTMENT
SEWER SYSTEM

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

for the years ended December 31, 2010 and 2009

Board of County Commissioners
Clermont County Water Resource Department
101 East Main Street
Batavia, Ohio 45103

We have reviewed the *Independent Auditors' Report* of the Clermont County Water Resource Department, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 through December 31, 2010. 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 Water Resource Department is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

June 20, 2011

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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 Water Resources Department (Department), Sewer System, an enterprise fund of Clermont County, Ohio, as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Department'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 do not purport to, and do not, present fairly the financial position of Clermont County, Ohio, as of December 31, 2010 and 2009 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 Water Resources Department, Sewer System, as of December 31, 2010 and 2009 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 May 6, 2011 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bastin & Company, LLC

Cincinnati, Ohio
May 6, 2011

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CLERMONT COUNTY WATER RESOURCES DEPARTMENT

SEWER SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Clermont County Water Resources Department's Sewer System's financial performance provides an overview of the System's financial activities for the fiscal years ended December 31, 2010 and 2009.

FINANCIAL HIGHLIGHTS

- The Sewer System's net assets decreased by $2.9 million, or 1.7%, in 2010.
- During 2010, the System lost $3.0 million from operations.
- Operating revenues increased $0.3 million from 2009, primarily due to a higher volume of water consumed which is the basis for sewer charges, offset by related increases in operational expenses.
- Operating expenses increased by $0.8 million in 2010.
- Debt decreased by $3.0 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 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 decreased from $166.4 million to $163.5 million during 2010. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System comparing 2010 to 2009 and comparing 2009 to 2008.

Table 1

NET ASSETS (in Millions)	2010	2009	2008
Current and Other Assets	$ 37.1	$ 44.8	$ 50.4
Capital Assets	172.0	169.6	168.0
Total Assets	209.1	214.4	218.4
Long Term Debt Outstanding	39.0	42.0	44.6
Other Liabilities	6.6	6.0	5.1
Total Liabilities	45.6	48.0	49.7
Net Assets:			
Invested in capital assets, net of debt	131.2	125.9	121.9
Restricted for debt service	2.9	2.9	2.8
Unrestricted	29.4	37.6	44.0
Total Net Assets	$163.5	$166.4	$168.7

For 2010, net assets of the System decreased by 1.7%. 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 $8.2 million in 2010. Restricted remained constant in 2010. The investment in capital assets, net of debt, increased $5.3 million. This increase reflects capital assets financed from the System's net assets, of which a part ($1.8 million) came from capital contributions in the form of system capacity fees, donated assets and grants.

For 2009, net assets of the System decreased by 1.3%. 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 $6.4 million in 2009. Restricted assets increased in 2009 by $0.1 million. The investment in capital assets, net of debt, increased $4.0 million. This increase reflects capital assets financed from the System's net assets, of which a part ($1.8 million) came from capital contributions in the form of system capacity fees, donated assets and grants.

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)		2010	2009	2008
	Charges for Services	$14.5	$14.2	$14.4
	New services and reviews	0.0	0.0	0.0
	Other Operating Revenues	0.1	0.1	0.1
	Total Operating Revenues	14.6	14.3	14.5
Operating Expenses	Operating Expenses	10.0	9.1	9.1
	Depreciation Expense	7.6	7.7	7.6
	Total Operating Expense	17.6	16.8	16.7
	Operating Income (Loss)	(3.0)	(2.5)	(2.2)
Non-Operating Revenues	Interest Income	0.1	0.2	0.9
	Net Change in Market Value of Investments	0.0	(0.2)	0.0
	Interest and Fiscal Charges	(1.6)	(1.7)	(1.8)
	Gain (loss) on Disposal of Capital Assets	(0.2)	0.0	0.0
Operating Revenues				
	Income (Loss) before Contributions	(4.7)	(4.2)	(3.1)
	Capital Contributions	1.8	1.9	1.8
Change in Net Assets	**Total Change in Net Assets**	($2.9)	($2.3)	($1.3)

As seen in Table 2 the Sewer System's operating and non-operating losses of $4.7 million were not offset by contributions and created an overall $2.9 million reduction to the system's net assets. Operating revenues increased $0.3 million due to a higher volume of water consumed which is the basis for sewer charges. Operating expenses increased by $0.8 million from 2009 to 2010 primarily due to higher contractual and utility costs. Contributions remained relatively constant.

For 2009, operating and non-operating losses of $4.2 million were not offset by contributions and created an overall $2.3 million reduction to the system's net assets. Operating revenues decreased $0.2 million due to a lower volume of water consumed which is the basis for sewer charges. Operating expenses remained relatively constant from 2008 to 2009. Contributions also remained relatively constant.

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. The level of Days Cash & Investments continues to represent the strong cash balances of the system.

FINANCIAL RATIOS ($ in thousands)

	2004	2005	2006	2007	2008	2009	2010
Working Capital	$50,858	$52,625	$38,948	$39,056	$32,660	$35,162	$26,988
Current Ratio	30.7	27.1	10.9	17.8	14.0	12.3	7.8
Days Cash & Investments	2,369	2,389	1,888	1,675	1,290	1,401	971
Liabilities to Net Assets	33%	30%	29%	27%	29%	29%	28%
Return on Assets	1%	1%	1%	0%	0%	0%	-1%
Days in Receivables	70	79	67	60	68	66	67

Working Capital is the amount by which current assets exceed current liabilities
Current Ratio compares current assets to current liabilities and is an indicator of the ability to pay current obligations
Days Cash & Investments represents the number of days normal operations could continue with no revenue collection
Liabilities to Net Assets 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 2010, the Sewer System had $313.9 million invested in capital assets including sewer lines, pump stations, treatment plants in operation or under construction. This amount represents a net increase in 2010 of $10.0 million.

During 2010, major additions/completions included:

$2.5 Million for the Bramblewood Trunkline
$0.6 Million for the Wards Corner Liftstation
$0.4 Million for the Bramblewood Liftstation

At the end of 2009, the Sewer System had $303.9 million invested in capital assets including sewer lines, pump stations, treatment plants in operation or under construction. This amount represents a net increase in 2009 of $9.3 million.

During 2009, major additions/completions included:

$11.3 Million for the Wards Corner Wastewater Treatment Plant
$0.4 Million for developer donated assets

Capital Assets at Year-End (Net of Depreciation, in millions)	2010	2009	2008
Land	$ 4.6	$ 4.5	$ 3.6
Structures	120.7	119.6	111.4
Machinery	15.6	15.5	13.1
Collection Systems	147.5	144.5	144.1
Autos/Trucks	1.8	1.8	1.5
Construction in Progress	23.7	18.0	20.9
Subtotal Capital Assets	313.9	303.9	294.6
Accumulated Depreciation	(141.9)	(134.3)	(126.6)
Total Capital Assets	$172.0	$169.6	$168.0

The Sewer System's 2011 capital plan anticipates a spending level of $10.2 million for capital projects of which $1.7 million is expected to come from assessment bond proceeds.

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

Debt

At December 31, 2010 the System had $41.9 million in bonds and loans outstanding, a reduction of $2.9 million from 2009. The reductions are primarily a result of scheduled debt service payments.

At December 31, 2009 the System had $44.8 million in bonds and loans outstanding, a reduction of $2.6 million from 2008. The reductions are primarily a result of scheduled debt service payments.

Outstanding Debt, at Year-End (in millions)	2010	2009	2008
2003 Revenue Bonds	$27.1	$29.0	$30.8
OWDA Loans	6.0	6.3	6.8
OPWC Loans	8.8	9.5	9.8
Total Debt	$41.9	$44.8	$47.4

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 179 percent for 2010 and 207 percent for 2009. The impact of this is that the System has the ability and the capacity to finance additional debt.

Debt Coverage Ratio (in millions)	2010	2009
Loss before contributions and transfers	($4.7)	($4.1)
Add items to convert income to pledged revenues:		
Interest Paid on Bonds	1.2	1.3
Deferred Debt Amortization	0.2	0.2
Depreciation Expense	7.6	7.7
System Capacity Charges	1.3	1.4
Net Pledged Revenues	$5.6	$6.5
Debt Service Requirements during year	$3.1	$3.1
Coverage Ratio	179%	207%
Required Coverage Ratio	110%	110%

Additional information on the Department'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 Sewer System's finances. If you have any questions about this report or need additional financial information, contact the Controller, Clermont County Water Resources Department, 101 East Main Street, Batavia, Ohio, 45103.

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
SEWER SYSTEM
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS:		
Equity in pooled cash and cash equivalents	$ 2,931,138	$ 8,279,127
Cash and cash equivalents in segregated accounts	1,172,313	4,255,590
Investments in segregated accounts	23,991,585	22,976,375
Accounts receivable (net of allowance for doubtful accounts of $51,644 for 2010 and $26,161 for 2009)	2,633,227	2,551,755
Inventory of supplies at cost	204,290	198,181
Prepaid Expense	3,184	6,365
Total current assets	30,935,737	38,267,393
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents in segregated accounts	629,891	844,137
Investments in segregated accounts	2,775,487	2,528,510
Contractor retainage accounts	312,797	513,316
Accrued interest	2,069	12,233
Total restricted assets	3,720,244	3,898,196
Capital assets not being depreciated	28,256,585	22,553,243
Capital assets being depreciated	143,788,959	147,056,192
Grants Receivable	453,794	7,301
Loans receivable	744,007	1,096,537
Unamortized financing costs	992,011	1,163,723
Residential improvement district receivable	29,210	152,010
Interfund receivable for deferred assessments	239,473	201,586
Total noncurrent assets	178,224,283	176,128,788
TOTAL ASSETS	209,160,020	214,396,181

LIABILITIES

	2010	2009
CURRENT LIABILITIES:		
Accounts payable	2,570,191	1,722,018
Accrued wages and benefits	334,510	327,600
Contractor maintenance bonds payable	41,380	41,180
Current portion of OWDA notes payable	453,112	434,760
Current portion of OPWC loans payable	548,401	579,409
Total current liabilities	3,947,594	3,104,967
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of revenue bonds payable	1,950,000	1,875,000
Accrued interest payable	485,821	517,071
Contractor retainage payable	312,797	513,316
Total current liabilities payable from restricted assets	2,748,618	2,905,387
NONCURRENT LIABILITIES:		
Long term portion of OWDA notes payable	5,477,814	5,930,926
Long term portion of OPWC loans payable	8,274,323	8,894,934
Long term portion of revenue bonds payable	25,180,000	27,130,000
Total noncurrent liabilities	38,932,137	41,955,860
TOTAL LIABILITIES	45,628,349	47,966,214

NET ASSETS

	2010	2009
Invested in capital assets, net of related debt	131,153,905	125,928,129
Restricted for debt service	2,921,626	2,867,809
Unrestricted	29,456,140	37,634,029
TOTAL NET ASSETS	$163,531,671	$166,429,967

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

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES:		
Charges for services	$ 14,416,174	$ 14,193,863
New services and reviews	3,001	1,937
Other revenues	133,512	95,026
Total operating revenues	14,552,687	14,290,826
OPERATING EXPENSES:		
Personnel services	3,240,178	3,248,440
Contractual services	2,664,973	1,826,139
Maintenance and repair	484,833	614,326
Materials and supplies	1,228,979	1,306,433
Utilities	2,335,807	2,096,712
Depreciation	7,624,910	7,664,765
Total operating expenses	17,579,680	16,756,815
OPERATING INCOME (LOSS)	(3,026,993)	(2,465,989)
NONOPERATING REVENUES (EXPENSES):		
Interest income	81,453	238,610
Net increase (decrease) in fair value of investments	25,433	(176,131)
Interest and fiscal charges	(1,598,216)	(1,701,257)
Gain (loss) on disposal of capital assets	(173,550)	-
Total nonoperating revenues (expenses)	(1,664,880)	(1,638,778)
LOSS BEFORE CONTRIBUTIONS	(4,691,873)	(4,104,767)
CAPITAL CONTRIBUTIONS:		
Capital contributions	1,793,577	1,856,892
CHANGE IN NET ASSETS	(2,898,296)	(2,247,875)
NET ASSETS BEGINNING OF YEAR	166,429,967	168,677,842
NET ASSETS END OF YEAR	$163,531,671	$166,429,967

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

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
SEWER SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$14,394,120	$14,357,357
Payments to suppliers	(6,589,280)	(5,804,224)
Payments to employees	(3,233,268)	(3,332,173)
Other receipts	88,482	78,515
Net cash provided by operating activities	4,660,054	5,299,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and interest paid on long-term debt	(4,263,807)	(4,123,454)
Proceeds from capital related loans	197,204	8,049,604
Construction and acquisition of capital assets	(9,427,333)	(8,319,311)
Contractor maintenance bond receipts	6,551	-
Contractor maintenance bond payments	(6,351)	(6,225)
Proceeds from residential improvement districts	122,800	-
Proceeds from assessments	6,107	2,778
Contractor retainage receipts	57,246	369,551
Contractor retainage payments	(257,765)	(85,434)
Proceeds from capital related grants	-	907,424
Advances for deferred assessments	(37,887)	(38,575)
System capacity charges	1,242,287	1,388,560
Net cash used by capital and related financing activities	(12,360,948)	(1,855,082)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(33,853,908)	(53,442,389)
Investment sales	32,617,154	52,820,599
Interest received on investments	91,617	244,125
Net cash used by investing activities	(1,145,137)	(377,665)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,846,031)	3,066,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,892,170	10,825,442
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,046,139	$13,892,170
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	($3,026,993)	($2,465,989)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,624,910	7,664,765
Change in assets and liabilities:		
Net change in operating accounts receivable	(70,085)	145,046
Net change in inventory	(6,109)	(23,712)
Net change in prepaid expenses	3,181	(1,365)
Net change in operating accounts payable	128,240	64,463
Net change in accrued payroll and related expenses	6,910	(83,733)
Net cash provided by operating activities	$ 4,660,054	$ 5,299,475
NON-CASH TRANSACTIONS:		
Contributions from developers	$ 95,912	$ 391,713
OWDA and OPWC loans and receivables	291,167	76,619
Net change in the fair value of investments	25,433	(176,131)
Total non-cash transactions	$ 412,512	$ 292,201

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

1. Summary of Significant Accounting Policies

Organization

The Clermont County Water Resources Department (Department), 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 Department 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 Department 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 Department'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 2010 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 Department's cash and investments.

Statements of Cash Flows

For the purpose of the Statement of Cash Flows, the Department 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 2010, 2009, 2008, 2007, 2006 and 2005, the Department advanced $37,887, $38,575, $39,201, $37,457, $42,263 and $44,090 respectively, to other County funds to provide funds for deferred assessments. Upon receipt of the assessment by the County, the total advanced of $239,473 will be repaid to the Department.

Loans Receivable

Loans Receivable represent OPWC loans where the Department 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 Department 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 $171,712 and $182,756 for 2010 and 2009, 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 Department as security for contract performance. Upon successful completion of the construction contract and acceptance by the Department, the maintenance bond is returned to the contractor.

Insurance

During 2010, the County contracted with Humana Inc., Dental Care Plus, Mutual of Omaha, EyeMed Insurance and TriHealth which provide coverage or claims review and processing services. The Department 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 Department or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Department 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 Department. 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 2010 and 2009, the following capital contributions were received:

	2010	2009
Grants earned	$ 446,493	$ 76,619
Donated assets	95,912	391,713
System capacity charges	1,242,287	1,388,560
Assessment proceeds	8,885	-
Total	$1,793,577	$1,856,892

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 Department. During 2010 and 2009, no funds were required to be contributed by the Department.

In addition, the Department is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2010 and 2009 were $307,054 and $283,259 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 Department 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 Department'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 Department 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 Department 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 Department'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 Department.

The County maintains a cash and investment pool used by all funds of the County, including the Department. The Department'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, 2010 and 2009, the carrying amount of the Department's portion of the pool totaled $2,931,138 and $8,279,127, respectively. The Department'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 Department maintains funds in contractor retainage accounts that represent cash retained from construction contractor payments until satisfactory completion of projects. As of December 31, 2010 and 2009, the bank and carrying amount of retainage accounts totaled $312,797 and $513,316, respectively, all of which was covered by FDIC Insurance.

Investments

The Department's investments at December 31, 2010 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$25,555,357	0.62
Treasury Notes	1,211,715	2.47
Money Market Accounts	1,802,204	0.00
Total Fair Value	$28,569,276	
Portfolio Weighted Average Maturity		0.66

The Department's investments at December 31, 2009 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$23,288,108	0.61
Treasury Notes	2,216,777	3.26
Money Market Accounts	5,099,727	0.00
Total Fair Value	$30,604,612	
Portfolio Weighted Average Maturity		0.70

Interest Rate Risk – In accordance with the County's investment policy, the Department 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 Department'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 U.S. 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 Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Department's investments are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Department.

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, 2010 follows:

	Fair Value Cash and Equivalents	Fair Value Investments
Per Balance Sheet	$5,046,139	$26,767,072
Money market funds	(1,802,204)	1,802,204
Per GASB Statement No. 3	$3,243,935	$28,569,276

A reconciliation of cash, cash equivalents and investments at December 31, 2009 follows:

	Fair Value Cash and Equivalents	Fair Value Investments
Per Balance Sheet	$13,892,170	$25,504,885
Money market funds	(5,099,727)	5,099,727
Per GASB Statement No. 3	$ 8,792,443	$30,604,612

3. Capital Assets

The following summarizes the changes to capital assets during 2010.

Class	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Capital assets not being depreciated:				
Land	$ 4,564,712	$ 50,523	$ -	$ 4,615,235
Construction in progress	17,988,531	11,127,376	(5,474,557)	23,641,350
Capital assets being depreciated:				
Structure	119,575,470	1,339,537	(213,537)	120,701,470
Machinery	15,496,163	126,212	(24,018)	15,598,357
Collection systems	144,513,661	3,023,625	(9,810)	147,527,476
Autos and trucks	1,771,665	41,853	-	1,813,518
Total cost	$303,910,202	$15,709,126	($5,721,922)	$313,897,406
Accumulated depreciation:				
Structure	($65,925,722)	($3,863,484)	$ 53,037	($69,736,169)
Machinery	(9,964,744)	(442,743)	20,778	(10,386,709)
Collection systems	(57,479,776)	(3,197,590)	-	(60,677,366)
Autos and trucks	(930,525)	(121,093)	-	(1,051,618)
Accumulated depreciation	($134,300,767)	($7,624,910)	$ 73,815	($141,851,862)
Net value	$ 169,609,435			$ 172,045,544

Assets contributed by developers and others in 2010 amounted to $95,912.

4. Residential Improvement District Receivable

The Residential Improvement District Receivable totaling $29,210 relates to a tax increment financing arrangement whereby the Department is being reimbursed for capital outlays incurred for the Forest Glen Residential Improvement District (RID). The Department incurred $200,000 for lift station improvements and received RID reimbursement of $47,990 during 2008 and $122,800 during 2010.

5. Long-Term Debt

For the year ended December 31, 2010, changes in long-term debt consisted of the following:

	Maturity/ Interest Rate	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010	Amount Due Within One Year
Ohio Water Development Authority	2027					
Notes - $9,101,259	3.15-6.5%	$ 6,365,685	$ -	$ 434,759	$ 5,930,926	$ 453,112
OPWC	2041					
Loans - $12,349,736	0-2%	9,474,345	-	651,621	8,822,724	548,401
2003 Sewer System Refunding Revenue	2024					
Bonds - $39,345,000	1.5-4.9%	29,005,000	-	1,875,000	27,130,000	1,950,000
Total		$44,845,030	$ -	$2,961,380	$41,883,650	$2,951,513

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

Year	OWDA Notes	OWDA Notes Interest	OPWC Loans	OPWC Loans Interest	Revenue Bonds	Revenue Bonds Interest	Total
2011	$ 453,111	$ 192,308	$ 548,401	$ 4,882	$ 1,950,000	$ 1,165,970	$ 4,314,672
2012	454,978	173,440	574,151	3,616	2,030,000	1,087,970	4,324,155
2013	294,813	156,497	575,443	2,323	2,115,000	1,006,770	4,150,846
2014	273,452	146,796	576,762	1,005	2,195,000	922,170	4,115,185
2015	282,134	138,115	509,860	-	2,280,000	834,370	4,044,479
2016-2020	1,550,851	550,390	2,375,045	-	12,935,000	2,643,700	20,054,986
2021-2025	1,813,170	288,072	2,105,229	-	3,625,000	241,073	8,072,544
2026-2030	808,417	32,080	1,288,516	-	-	-	2,129,016
2031-2035	-	-	122,417	-	-	-	122,417
2036-2040	-	-	122,417	-	-	-	122,417
2041	-	-	24,483	-	-	-	24,483
	$5,930,926	$1,677,698	$8,822,724	$11,826	$27,130,000	$7,902,023	$51,475,197

Notes payable at December 31, 2010 consist of various individual loans totaling $5,930,926 due to the Ohio Water Development Authority. Payments of principal and interest are payable semi-annually through 2027 and include interest at rates ranging from 3.15 percent to 6.50 percent per annum.

OPWC loans payable at December 31, 2010, consist of various individual loans totaling $8,822,724 due to the Ohio Public Works Commission for specified sewer system construction costs. Payments of principal and interest are payable semi-annually through 2041 and include interest at rates ranging from 0 to 2 percent per annum.

During 2003 the Department 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 $1,950,000 in 2011 to $240,000 in 2024, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 4 percent to 4.90 percent per annum, is payable semi-annually on February 1 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	($4,691,873)
Add items to convert income to pledged revenues:	
Interest paid on bonds	1,240,970
Deferred debt amortization	171,712
Depreciation expense	7,624,910
System capacity charges	1,242,287
Net pledged revenues	$ 5,588,006
Debt service requirement on bonds during 2010	$ 3,115,970
Coverage ratio	179%
Required coverage ratio	110%

6. Defined Benefit Pension Plans

All employees of the Department participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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 pension 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Department's contribution rate for pension benefits for 2010 was 14 percent.

The Department's required contributions to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were $347,563, $366,770 and $343,116 respectively; all of which have been contributed.

7. Post-Employment Benefits Other than Pension Benefits

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription rug program, and Medicare Park B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not exceed 14.00% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payments amounts vary depending on the number of covered dependents and the coverage selected. The Department's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were $126,196, $183,385, and $171,558 respectively; all of which has been contributed.

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

8. Other Employee Benefits

As part of the County, Department 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 Department’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 Risk Management Services, Inc. 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 is included in the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Program which provides for a 40% reduction in premium for assuming some of the claims payment risks. To lessen the potential financial risks, the County established through the BWC both an individual claims occurrence "cap" of $200,000 and a maximum premium claims "cap" of 150% of annual payment. The County pays to BWC this reduced premium and the claims costs as billed. The Department pays into the County's Workers' Compensation fund an allocated portion of the County's premium and claims based on the Department's salaries and claims history. The County has elected to provide employees major medical, dental 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. and Dental Care Plus review and pay all claims utilizing County funds. Clermont County purchases stop-loss medical coverage (Humana) of $200,000 per member, an aggregate limit of 125% of expected claims, and a $2 million lifetime (per member) maximum. In 2010, the Department paid into the self-insurance fund $807.28 for family coverage and $342.38 for individual coverage per employee per month, which represented 73-95% 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 plan charges established annually by the Board of County Commissioners. The self-insured and fully insured vision plans are voluntary and are paid 100% by the employee.

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, 2010, the Department had contractual commitments as follows:

Original Contract Amounts	Paid to Date	Remaining Commitments
$24,034,370	$9,608,570	$14,425,800

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CLERMONT COUNTY WATER RESOURCES DEPARTMENT
WATER SYSTEM

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

for the years ended December 31, 2010 and 2009

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FINANCIAL STATEMENTS:

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 Water Resources Department (Department), Water System, an enterprise fund of Clermont County, Ohio, as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Department'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 do not purport to, and do not, present fairly the financial position of Clermont County, Ohio, as of December 31, 2010 and 2009 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 Water Resources Department, Water System, as of December 31, 2010 and 2009 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 May 6, 2011 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bastin & Company, LLC

Cincinnati, Ohio
May 6, 2011

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

CLERMONT COUNTY WATER RESOURCES DEPARTMENT

WATER SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Clermont County Water Resources Department's Water System's financial performance provides an overview of the System's financial activities for the fiscal years ended December 31, 2010 and 2009.

FINANCIAL HIGHLIGHTS

- The Water System's net assets increased by $1.9 million, or 1.7%, in 2010.
- During the year, the System generated $1.5 million from operations and used $1.2 million for other financing activities, principally for interest expense.
- Operating income was up $0.8 million from 2009, due to an increase in revenues caused by higher levels of water sales and offset by related increases in operational expenses.
- Debt decreased $2.0 million primarily 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 $109.2 million to $111.1 million during 2010. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the System comparing 2010 to 2009 and comparing 2009 to 2008.

Table 1

NET ASSETS (in Millions)	2010	2009	2008
Current and Other Assets	$ 21.2	$ 21.8	$ 26.3
Capital Assets	114.7	114.7	111.0
Total Assets	135.9	136.5	137.3
Long Term Debt Outstanding	20.7	22.7	25.0
Other Liabilities	4.1	4.6	4.0
Total Liabilities	24.8	27.3	29.0
Net Assets:			
Invested in capital assets, net of debt	91.9	90.1	84.2
Restricted for debt service	3.1	3.0	3.0
Unrestricted	16.1	16.1	21.1
Total Net Assets	$111.1	$109.2	$108.3

For 2010, net assets of the System increased by 1.7%. 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, remained constant in 2010. Restricted assets in 2010 increased by $0.1 million. The investment in capital assets, net of debt, increased $1.8 million. This increase reflects capital assets financed from the System's net assets, of which $1.6 million came from capital contributions in the form of system capacity fees, donated assets, assessments and grants.

For 2009, net assets of the System increased by 0.8%. 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 $5.0 million in 2009. Restricted assets in 2009 remained constant. The investment in capital assets, net of debt, increased $5.9 million. This increase reflects capital assets financed from the System's net assets, of which $1.4 million came from capital contributions in the form of system capacity fees, donated assets, assessments and grants.

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)		2010	2009	2008
Operating Revenues	Charges for Services	$13.0	$11.8	$13.1
	New Meters, Services & Reviews	0.3	0.3	0.2
	Other Operating Revenues	0.3	0.2	0.2
	Total Operating Revenues	13.6	12.3	13.5
Operating Expenses	Operating Expenses	8.0	7.5	8.5
	Depreciation Expense	4.1	4.0	4.0
	Total Operating Expense	12.1	11.5	12.5
	Operating Income	1.5	0.8	1.0
Non-Operating Revenues	Interest Income	0.0	0.1	0.7
	Net Change in Market Value of Investments	0.0	(0.1)	(0.1)
	Interest and Fiscal Charges	(1.2)	(1.3)	(1.4)
	Income before Contributions	0.3	(0.5)	0.2
Contributions	Capital Contributions	1.6	1.4	1.2
Change in Net Assets	**Total Change in Net Assets**	$ 1.9	$ 0.9	$ 1.4

As seen in Table 2 the Water System's capital contributions of $1.6 million, in addition to income before capital contributions of $0.3 million, resulted in an increase in net assets of $1.9 million. Operating revenues increased $1.3 million due to the increased volume of water consumed. Operating expenses increased by $0.6 million from 2009 to 2010 primarily due to higher levels of services. Contributions increased by $0.2 million due to increased capital grants.

For 2009 income before capital contributions/transfers of $1.4 million, offset by a loss before capital contributions of $0.5 million, resulted in an increase in net assets of $0.9 million. Operating revenues decreased $1.2 million due to the lower volume of water consumed. Operating expenses decreased by $1.0 million from 2008 to 2009 primarily due to lower levels of services and the lack of settlement payments that were expensed during 2009. Contributions/transfers increased by $0.2 million due to increased capital grants, capacity fees and donated assets.

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 decrease in the level of Days Cash and Investments reflects the continued investment in capital assets.

FINANCIAL RATIOS ($ in thousands)

	2004	2005	2006	2007	2008	2009	2010
Working Capital	$23,292	$19,690	$19,213	$21,963	$20,652	$15,610	$14,585
Current Ratio	14.2	13.1	9.9	22.1	18.7	11.3	14.5
Days Cash & Investments	1,449	1,145	1,154	1,083	924	842	752
Liabilities to Net Assets	42%	37%	34%	29%	27%	25%	22%
Return on Assets	2%	2%	2%	3%	1%	1%	1%
Days in Receivables	63	56	60	50	65	63	61

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 2010, the Water System had $189.9 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 2010 of $4 million.

During 2010, major additions/completions included:

$0.5 Million for the Wards Corner and Mt. Repose tank upgrades/paintings
$0.3 Million for the Water portion of a new storage building
$0.2 Million of developer donated waterline

At the end of 2009, the Water System had $185.9 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 2009 of $7.8 million.

During 2009, major additions/completions included:

$1.8 Million for the Glen Este-Withamsville Old SR 74 Water Main
$1.3 Million for the SR131/SR132 Transmission Main
$0.8 Million for the Mt.Carmel/Old SR74 Water Main
$0.3 Million for the waterline relocation at SR125 & Amelia Olive Branch Road
$0.2 Million of developer donated waterline

Capital Assets at Year-End (Net of Depreciation, in millions)	2010	2009	2008
Land	$ 2.8	$ 2.8	$ 2.6
Structures	69.1	68.8	68.8
Machinery	8.4	7.7	7.7
Distribution Systems	99.0	98.7	94.4
Autos/Trucks	1.4	1.4	1.3
Construction in Progress	9.2	6.5	3.3
Subtotal Capital Assets	189.9	185.9	178.1
Accumulated Depreciation	(75.2)	(71.2)	(67.1)
Total Capital Assets	$114.7	$114.7	$111.0

The Water System's 2011 capital plan anticipates a spending level of $9.2 million for capital projects of which $0.8 million is expected to come from grants and assessment bond proceeds.

Additional information on the Department's capital assets can be found in Note 3 on page 18 of this report.

Debt

At December 31, 2010 the System had $23.0 million in bonds and loans outstanding, a reduction of $2.0 million, or 8.0%, from 2009.

At December 31, 2009 the System had $25.0 million in bonds and loans outstanding, a reduction of $2.2 million, or 8.1%, from 2008.

These reductions are a result of scheduled debt service payments. The outstanding 2003 Revenue Bonds carry interest rates varying from 4.00%-5.25%.

Outstanding Debt, at Year-End (in millions)	2010	2009	2008
2003 Revenue Bonds	$22.3	$24.6	$26.8
OPWC Loans	0.7	0.4	0.4
Total Debt	$23.0	$25.0	$27.2

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 180 percent for 2010 and 164 percent for 2009. The impact of this is that the System has the ability and the capacity to finance additional debt.

Debt Coverage Ratio (in millions)	2010	2009
Income (loss) before contributions and transfers	$0.3	($0.5)
Add items to convert income to pledged revenues:		
Interest Paid on Bonds	1.2	1.3
Deferred Debt Amortization	0.1	0.1
Depreciation Expense	4.1	4.0
System Capacity Charges	.5	.8
Net Pledged Revenues	$6.2	$5.7
Debt Service Requirements	$3.5	$3.5
Coverage Ratio	180%	164%
Required Coverage Ratio	110%	110%

Additional information on the Department's debt can be found in Note 5 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 Water System's finances. If you have any questions about this report or need additional financial information, contact the Controller, Clermont County Water Resources Department, 101 East Main Street, Batavia, Ohio, 45103.

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
WATER SYSTEM
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS:		
Equity in pooled cash and cash equivalents	$ 3,716,647	$ 2,835,665
Cash and cash equivalents in segregated accounts	1,510,424	5,000,751
Investments in segregated accounts	8,002,585	6,997,405
Accounts receivable (net of allowance for doubtful accounts of $45,224 for 2010 and $20,488 for 2009)	2,177,965	2,033,738
Inventory of supplies at cost	254,500	245,597
Prepaid Expense	3,184	6,365
Total current assets	15,665,305	17,119,521
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents in segregated accounts	661,753	884,997
Investments in segregated accounts	2,877,675	2,621,705
Contractor retainage accounts	243,256	277,931
Accrued interest	3,276	5,935
Total restricted assets	3,785,960	3,790,568
Capital assets not being depreciated	12,034,984	9,280,009
Capital assets being depreciated	102,660,356	105,391,113
Grant receivable	963,483	384,794
Loan receivable	379,500	-
Unamortized financing costs	311,523	390,322
Non current receivables	62,000	93,000
Residential improvement district receivable	64,380	-
Total noncurrent assets	120,262,186	119,329,806
TOTAL ASSETS	135,927,491	136,449,327

LIABILITIES

	2010	2009
CURRENT LIABILITIES:		
Accounts payable	697,476	1,147,331
Accrued wages and benefits	305,227	294,965
Contractor maintenance bonds payable	41,379	41,180
Current portion of OPWC debt	35,922	26,435
Total current liabilities	1,080,004	1,509,911
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of revenue bonds payable	2,375,000	2,285,000
Accrued interest payable	455,188	493,271
Contractor retainage payable	243,256	277,931
Total current liabilities payable from restricted assets	3,073,444	3,056,202
NONCURRENT LIABILITIES:		
Long term portion of OPWC debt	713,665	370,087
Long term portion of revenue bonds payable	19,960,000	22,335,000
Total noncurrent liabilities	20,673,665	22,705,087
TOTAL LIABILITIES	24,827,113	27,271,200

NET ASSETS

	2010	2009
Invested in capital assets, net of related debt	91,922,276	90,044,922
Restricted for debt service	3,087,516	3,019,366
Unrestricted	16,090,586	16,113,839
TOTAL NET ASSETS	$111,100,378	$109,178,127

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

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES:		
Charges for services	$ 13,006,646	$ 11,792,524
New meters, services & reviews	262,405	315,825
Other revenues	294,906	199,737
Total operating revenues	13,563,957	12,308,086
OPERATING EXPENSES:		
Personnel services	2,911,824	2,845,014
Contractual services	931,179	884,661
Maintenance and repair	618,586	662,439
Materials and supplies	2,040,290	1,785,841
Utilities	1,425,265	1,302,682
Depreciation	4,073,612	4,048,934
Other	43,840	28,511
Total operating expenses	12,044,596	11,558,082
OPERATING INCOME	1,519,361	750,004
NONOPERATING REVENUES (EXPENSES):		
Interest income	45,804	148,656
Net increase (decrease) in value of investments	12,562	(115,689)
Interest and fiscal charges	(1,224,566)	(1,320,459)
Gain (loss) on disposal of capital assets	(26,414)	-
Total nonoperating revenues (expenses)	(1,192,614)	(1,287,492)
INCOME BEFORE CONTRIBUTIONS	326,747	(537,488)
Capital contributions	1,595,504	1,416,887
CHANGE IN NET ASSETS	1,922,251	879,399
NET ASSETS BEGINNING OF YEAR	109,178,127	108,298,728
NET ASSETS END OF YEAR	$111,100,378	$109,178,127

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

CLERMONT COUNTY WATER RESOURCES DEPARTMENT
WATER SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$12,908,582	$12,057,376
Payments to suppliers	(5,052,733)	(4,726,363)
Payments to employees	(2,901,562)	(2,915,148)
Other receipts	511,148	502,963
Net cash provided by operating activities	5,465,435	4,918,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal and interest paid on long-term debt	(3,495,285)	(3,493,084)
Construction and acquisition of capital assets	(4,419,536)	(7,339,654)
Contractor maintenance bond receipts	6,550	-
Contractor maintenance bond payments	(6,351)	(6,225)
Proceeds from assessments	12,709	4,500
Proceeds from residential improvement districts	17,800	-
Contractor retainage receipts	74,163	307,061
Contractor retainage payments	(108,838)	(116,399)
Refund of capital project costs by State of Ohio	-	135,418
Proceeds from capital related grants	186,989	386,651
System capacity charges, including those from non-current receivables	599,225	947,352
Net cash used by capital and related financing activities	(7,132,574)	(9,174,380)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(20,298,844)	(21,275,465)
Investment sales	19,050,256	22,923,410
Interest received on investments	48,463	193,307
Net cash provided by investing activities	(1,200,125)	1,841,252
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,867,264)	(2,414,300)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,999,344	11,413,644
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,132,080	$ 8,999,344
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 1,519,361	$ 750,004
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,073,612	4,048,934
Change in assets and liabilities:		
Net change in inventory	(8,903)	33,147
Net change in operating accounts receivable	(144,227)	252,253
Net change in prepaid expenses	3,181	(1,365)
Net change in operating accounts payable	12,149	(94,011)
Net change in accrued payroll and related expenses	10,262	(70,134)
Net cash provide by operating activities	$ 5,465,435	$ 4,918,828
NON-CASH TRANSACTIONS:		
Contributions from developers	$ 166,712	$ 177,953
Net change in the fair value of investments	12,562	(115,689)
Total non-cash transactions	$ 179,274	$ 62,264

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

1. Summary of Significant Accounting Policies

Organization

The Clermont County Water Resources Department (Department), 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 Department 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 Department 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 Department'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 2010 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 Department's cash and investments.

Statements of Cash Flows

For the purpose of the Statement of Cash Flows, the Department 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 $78,799 and $85,393 for 2010 and 2009, 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 Department as security for contract performance. Upon successful completion of the construction contract and acceptance by the Department, the maintenance bond is returned to the contractor.

Insurance

During 2010, the County contracted with Humana Inc., Dental Care Plus, Mutual of Omaha, EyeMed Insurance and TriHealth which provide coverage or claims review and processing services. The Department 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 Department or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Department 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 Department. 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 2010 and 2009, the following capital contributions were received:

	2010	2009
Grants earned	$ 765,678	$ 413,708
Assessment proceeds	12,709	4,500
Donated assets	166,712	177,953
System capacity charges	568,225	820,726
Residential Improvement District	82,180	-
Total	$1,595,504	$1,416,887

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 Department. During 2010 and 2009, no funds were required to be contributed by the Department.

The Department is charged by other County funds for administrative services based on a cost allocation plan. The charges for 2010 and 2009 were $255,682 and $236,078 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 Department 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 Department’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 Department 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 Department 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 Department'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 Department.

The County maintains a cash and investment pool used by all funds of the County, including the Department. The Department'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, 2010 and 2009, the carrying amount of the Department's portion of the pool totaled $3,716,647 and $2,835,665, respectively. The Department'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 Department maintains funds in contractor retainage accounts that represent cash retained from construction contractor payments until satisfactory completion of projects. As of December 31, 2010 and 2009, the bank and carrying amount of retainage accounts totaled $243,256 and $277,931, respectively, all of which was covered by FDIC Insurance.

Investments

The Department's investments at December 31, 2010 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$ 9,461,389	.45
Treasury Notes	1,418,871	2.82
Money Market Accounts	2,172,177	.00
Total Fair Value	$13,052,437	
Portfolio Weighted Average Maturity		.63

The Department's investments at December 31, 2009 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Treasury Bills	$ 8,019,107	.56
Treasury Notes	1,600,003	3.00
Money Market Accounts	5,885,748	.00
Total Fair Value	$15,504,858	
Portfolio Weighted Average Maturity		.60

Interest Rate Risk - In accordance with the County's investment policy, the Department 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 Department'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 U.S. 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 Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Department's investments are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Department.

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, 2010 follows:

	Fair Value Cash and Equivalents	Fair Value Investments
Per Balance Sheet	$ 6,132,080	$10,880,260
Money market funds	(2,172,177)	2,172,177
Per GASB Statement No. 3	$ 3,959,903	$13,052,437

A reconciliation of cash, cash equivalents and investments at December 31, 2009 follows:

	Fair Value Cash and Equivalents	Fair Value Investments
Per Balance Sheet	$ 8,999,344	$ 9,619,110
Money market funds	(5,885,748)	5,885,748
Per GASB Statement No. 3	$ 3,113,596	$15,504,858

3. Capital Assets

The following summarizes the changes to capital assets during 2010.

Class	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Capital assets not being depreciated:				
Land	$ 2,828,268	$ 2,068	$ -	$ 2,830,336
Construction in progress	6,451,741	4,152,602	(1,399,695)	9,204,648
Capital assets being depreciated:				
Structure	68,785,853	291,480	-	69,077,333
Machinery	7,730,829	681,054	-	8,411,883
Distribution systems	98,708,521	372,922	(69,508)	99,011,935
Autos and trucks	1,362,403	23,813	-	1,386,216
Total cost	$185,867,615	$5,523,939	($1,469,203)	$189,922,351
Accumulated depreciation				
Structure	($32,203,174)	($1,853,284)	$ -	($34,056,458)
Machinery	(6,386,266)	(242,182)	-	(6,628,448)
Distribution systems	(31,707,528)	(1,902,381)	43,094	(33,566,815)
Autos and trucks	(899,525)	(75,765)	-	(975,290)
Accumulated depreciation	($71,196,493)	($4,073,612)	$ 43,094	($75,227,011)
Net value	$114,671,122			$114,695,340

Assets contributed by developers and others in 2010 amounted to $166,712.

4. Noncurrent and Residential Improvement District Receivables

The Department entered into an agreement with the Village Williamsburg, Ohio for payment of system capacity charges. Total balances due to the Department were $93,000 and $124,000 at December 31, 2010 and 2009, respectively. The current portion of the receivable balance is reflected as current accounts receivables. The Village of Williamsburg makes annual payments of $31,000 through January 2013. The system capacity charges are recorded as a capital contribution.

The Residential Improvement District Receivable totaling $64,380 relates to a tax increment financing arrangement whereby the Department is being reimbursed for capital outlays incurred for the SunnyMeade Residential Improvement District (RID). The Department incurred $82,180 for water main improvements and received RID reimbursement of $17,800 during 2010.

5. Long-Term Debt

For the year ended December 31, 2010, changes in long-term debt consisted of the following:

	Maturity/ Interest Rate	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010	Amount Due Within One Year
Revenue bonds:						
2003 Series Waterworks						
Refunding Revenue	2018					
Bonds - $37,020,000	1.2-5.25%	$24,620,000	$ -	$2,285,000	$22,335,000	$2,375,000
OPWC loans	2024-2031					
Loans - $908,196	0.0%	396,522	379,500	26,435	749,587	35,922
Total		$25,016,522	$ 379,500	$2,311,435	$23,084,587	$2,410,922

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

	Revenue Bonds		OPWC Loans		
Year	Principal	Interest	Principal	Interest	Total
2011	$ 2,375,000	$1,092,450	$ 35,922	$ -	$ 3,503,372
2012	2,470,000	997,450	45,410	-	3,512,860
2013	2,575,000	892,475	45,410	-	3,512,885
2014	2,685,000	783,038	45,410	-	3,513,448
2015	2,830,000	642,075	45,410	-	3,517,485
2016-2020	9,400,000	1,003,800	227,049	-	10,630,849
2021-2025	-	-	200,614	-	200,614
2026-2030	-	-	94,875	-	94,875
2031	-	-	9,487	-	9,487
	$22,335,000	$5,411,288	$749,587	$ -	$28,495,875

During 2003 the Department 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 $2,375,000 in 2011 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.

OPWC loans payable at December 31, 2010, consist of various individual loans totaling $749,587 due to the Ohio Public Works Commission for specified water system construction costs. Payments of principal and interest are payable semi-annually through 2031. The loans include 0.0 percent interest.

In addition, the Department has received non-interest bearing loans of $908,196 due to the Ohio Public Works Commission for specified water system construction costs. The loans require semi-annual payments of $22,705 through January 1, 2031.

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 (loss) before contributions	$ 326,747
Add items to convert income to pledged revenues:	
Interest paid on bonds	1,183,850
Deferred debt amortization	78,799
Depreciation expense	4,100,026
System capacity charges	568,225
Net pledged revenues	$6,257,647
Debt service requirement on bonds during 2009	$3,468,850
Coverage ratio	180%
Required coverage ratio	110%

6. Defeased Debt

The Department 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, 2010 and 2009 the amount of defeased debt outstanding amounted to $75,000 and $110,000, respectively.

7. Defined Benefit Pension Plans

All employees of the Department participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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 pension 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Department's contribution rate for pension benefits for 2010 was 14 percent.

The Department's required contributions to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were $311,911, $315,928 and $308,282 respectively; all of which have been contributed.

8. Post-Employment Benefits Other than Pension Benefits

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription rug program, and Medicare Park B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not exceed 14.00% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payments amounts vary depending on the number of covered dependents and the coverage selected. The Department's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were $113,255, $157,964, and $154,141 respectively; all of which has been contributed.

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

9. Other Employee Benefits

As part of the County, Department 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 Department'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 Risk Management Services, Inc. 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 is included in the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Program which provides for a 40% reduction in premium for assuming some of the claims payment risks. To lessen the potential financial risks, the County established through the BWC both an individual claims occurrence "cap" of $200,000 and a maximum premium claims "cap" of 150% of annual payment. The County pays to BWC this reduced premium and the claims costs as billed. The Department pays into the County's Workers' Compensation fund an allocated portion of the County's premium and claims based on the Department's salaries and claims history. The County has elected to provide employees major medical, dental 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. and Dental Care Plus review and pay all claims utilizing County funds. Clermont County purchases stop-loss medical coverage (Humana) of $200,000 per member, an aggregate limit of 125% of expected claims, and a $2 million lifetime (per member) maximum. In 2010, the Department paid into the self-insurance fund $807.28 for family coverage and $342.38 for individual coverage per employee per month, which represented 73-95% 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 plan charges established annually by the Board of County Commissioners. The self-insured and fully insured vision plans are voluntary and are paid 100% by the employee.

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, 2010, the Department had contractual commitments as follows:

Original Contract Amounts	Paid to Date	Remaining Commitments
$21,747,025	$7,798,662	$13,948,363

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 Water Resources Department, Water and Sewer Systems, (Department) as of and for the year ended December 31, 2010 and have issued our reports thereon dated May 6, 2011, wherein we noted the financial statements present only the Water and Sewer Systems of Clermont County, Ohio and do not purport to, and do not, present fairly the financial position of Clermont County, Ohio as of December 31, 2010 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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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.*

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

This report is intended solely for the information and use of management, the 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
May 6, 2011

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CLERMONT COUNTY WATER RESOURCE DEPARTMENT

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 30, 2011