

**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY COUNTY**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**DENNIS WILLIAMS, GENERAL MANAGER**





# Dave Yost • Auditor of State

Board of Trustees  
Earnhart Hill Regional Water and Sewer District  
2030 Stoneridge Drive  
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Earnhart Hill Regional Water and Sewer District, Pickaway County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 Earnhart Hill Regional Water and Sewer District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

July 10, 2015

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**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY COUNTY**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 6
Basic Financial Statements:	
Statements of Net Position .....	7 - 8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flows .....	10 - 11
Notes to the Basic Financial Statements.....	12 - 24
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25 - 26

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## **Independent Auditor's Report**

Earnhart Hill Regional Water and Sewer District  
Pickaway County  
2030 Stoneridge Drive  
Circleville, Ohio 43113

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Earnhart Hill Regional Water and Sewer District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Earnhart Hill Regional Water and Sewer District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Earnhart Hill Regional Water and Sewer District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Report on Summarized Comparative Information***

We have previously audited the Earnhart Hill Regional Water and Sewer District's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the Earnhart Hill Regional Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Earnhart Hill Regional Water and Sewer District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
May 28, 2015



**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
For The Year Ended December 31, 2014  
(Unaudited)

This discussion and analysis, along with the accompanying financial report, of Earnhart Hill Regional Water and Sewer District (EHRWSD or "the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The total assets of the District exceeded liabilities and deferred inflows of resources on December 31, 2014 and 2013 by \$17.3 million and \$16.8 million, respectively. The District's net position increased by \$513 thousand (3%) in 2014 and \$695 thousand (4%) in 2013.

The District's Operating Revenues decreased by \$28 thousand (1%) in 2014 and increased by \$176 thousand (5%) in 2013. Operating Expenses increased \$189 thousand (7%) in 2014 and \$218 thousand (9%) in 2013.

The District issued no additional long term debt in 2014 or 2013.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statement of Net Position** includes all of the District's assets, liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position (equity) is the difference between assets and liabilities plus deferred inflows of resources.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the District's operations over the past year and the success of recovering all its costs through service charges, capacity charges and tap fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, capital and related financing and non-capital and related financing activities.

**NET POSITION**

Table 1 summarizes the Net Position of the District. Capital Assets are reported less accumulated depreciation. "Net Investment in Capital Assets", are Capital Assets less outstanding debt that was used to acquire those assets.

**Table 1**

	2014	2013	Change	%	2012*	Change	%
Current & Other Assets	\$ 4,304,377	\$ 3,817,594	\$ 486,783	13%	\$ 3,845,993	\$ (28,399)	-1%
Capital Assets	23,809,520	24,671,645	(862,125)	-3%	24,220,369	451,276	2%
Total Assets	28,113,897	28,489,239	(375,342)	-1%	28,066,362	422,877	2%
Long Term Liabilities	9,578,219	10,348,786	(770,567)	-7%	10,606,883	(258,097)	-2%
Current & Other Liabilities	405,125	523,318	(118,193)	-23%	536,978	(13,660)	-3%
Total Liabilities	9,983,344	10,872,104	(888,760)	-8%	11,143,861	(271,757)	-2%
Deferred Inflows	851,715	851,715	-	0%	851,715	-	0%
Net Position							
Net Investment In Capital Assets	14,814,106	14,886,760	(72,654)	0%	14,185,261	701,499	5%
Restricted	411,993	411,993	-	0%	411,993	-	0%
Unrestricted	2,052,739	1,466,667	586,072	40%	1,473,532	(6,865)	0%
Total Net Position	\$ 17,278,838	\$ 16,765,420	\$ 513,418	3%	\$ 16,070,786	\$ 694,634	4%

\* Restated – See Note 14

The District's Net Position increased \$513 thousand (3%) in 2014 and \$695 thousand (4%) in 2013. This increase was a result of excess revenues over expenses.

**Earnhart Hill Regional Water and Sewer District**

*Management's Discussion and Analysis*

*For The Year Ended December 31, 2014*

*(Unaudited)*

Restricted net position did not change in 2014 or 2013. Restricted net position is cash which is limited in use as part of the District's loan covenants.

Net Investment in Capital Assets increased by \$701 thousand (5%) in 2013 due to additions in capital assets and the reduction of the related debt due to principal payments made during the year.

Unrestricted net position increased \$586 thousand (40%) in 2014 due mainly to cash contributions.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Table 2 summarizes the changes in Revenues and Expenses and the resulting changes in Net position.

**Table 2**

	<b>2014</b>	<b>2013</b>	<b>Difference</b>	<b>%</b>	<b>2012*</b>	<b>Difference</b>	<b>%</b>
Operating Revenues	\$ 3,360,483	\$ 3,388,440	\$ (27,957)	-1%	\$ 3,212,495	\$ 175,945	5%
Total Operating Revenues	3,360,483	3,388,440	(27,957)	-1%	3,212,495	175,945	5%
Treatment Expenses	276,434	243,387	33,047	14%	184,471	58,916	32%
Power	213,144	206,113	7,031	3%	211,870	(5,757)	-3%
Distribution	658,009	610,001	48,008	8%	503,669	106,332	21%
Customer Accounting	248,594	222,890	25,704	12%	207,112	15,778	8%
Transportation	54,786	54,507	279	1%	51,525	2,982	6%
Fringe Benefits	305,168	287,710	17,458	6%	280,708	7,002	2%
Depreciation and Amortization	887,874	860,636	27,238	3%	844,621	16,015	2%
Administrative & General	304,100	273,293	30,807	11%	256,167	17,126	7%
Total Operating Expenses	2,948,109	2,758,537	189,572	7%	2,540,143	218,394	9%
Operating Income	412,374	629,903	(217,529)	-35%	672,352	(42,449)	-6%
Non-Operating Expenses	785,039	327,289	457,750	140%	331,226	(3,937)	-1%
Non-Operating Revenues	190,525	111,263	79,262	71%	109,179	2,084	2%
Capital Contributions	695,558	280,757	414,801	148%	288,535	(7,778)	-3%
Changes in Net Position	513,418	694,634	(181,216)	-26%	738,840	(44,206)	-6%
Net Assets at Beginning of Year	16,765,420	16,070,786	694,634	4%	15,331,946	738,840	5%
Net Position at End of Year	\$ 17,278,838	\$ 16,765,420	\$ 513,418	3%	\$ 16,070,786	\$ 694,634	4%

\* Restated – See Note 14

Operating revenues decreased \$28 thousand (1%) in 2014 and increased \$175 thousand (5%) in 2013. The decrease in 2014 was not significant. The increase in operating revenues in 2013 was a result of water and sewer rate adjustments.

Capital Contributions will fluctuate from year to year depending on construction activity, and improvement projects that may qualify for special assessment and/or grant monies. The District recorded \$696 thousand and \$281 thousand in capital contributions in 2014 and 2013, respectively.

In 2014 the District received \$669 thousand from the State of Ohio to relocate an 18 inch water line on Ashville Pike and \$27 thousand from a line extension for Ohio Christian University. In 2013 the District received \$172 thousand in capital contributions from the Pickaway County Commissioners for the Progress Parkway Sewer Extension. In 2013 the District also received \$70 thousand in capital contributions from Ohio Christian University for the US Highway 22 Extension Project. In 2013 the District received \$7 thousand in cash capital contributions for the Perrill Road Extension Project and \$32 thousand for the Slate Run Extension Project.

Operating expenses, excluding depreciation, increased by \$162 thousand (8%) in 2014 and \$202 thousand (12%) in 2013. Increase of \$33 thousand in treatment expense, \$48 thousand in distribution, and \$31 thousand in administrative and general accounted for most of the increase in 2014. Increases of \$59 thousand in treatment expenses and \$106 thousand in distribution accounted for most of the increase in 2013.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
For The Year Ended December 31, 2014  
(Unaudited)

**CAPITAL ASSETS**

Table 3 summarizes the changes in Capital Assets.

**Table 3**

	<b>2014</b>	<b>2013</b>	Change	%	<b>2012*</b>	Change	%
Land	\$ 841,797	\$ 746,797	\$ 95,000	13%	\$ 746,797	\$ -	0%
Buildings	1,198,991	1,154,295	44,696	4%	1,142,505	11,790	1%
Treatment Facilities	6,262,716	6,191,384	71,332	1%	5,709,247	482,137	8%
Transmission, Storage & Collection	23,608,269	23,362,493	245,776	1%	22,574,051	788,442	3%
Vehicles	337,155	318,807	18,348	6%	284,459	34,348	12%
Furniture & Equipment	469,014	467,297	1,717	0%	458,329	8,968	2%
Construction in Progress	238,170	780,558	(542,388)	-69%	876,265	(95,707)	-11%
Total before Depreciation	32,956,112	33,021,631	(65,519)	0%	31,791,653	1,229,978	4%
Accumulated Depreciation	(9,146,592)	(8,349,986)	(796,606)	10%	(7,571,284)	(778,702)	10%
Total Capital Assets	<u>\$ 23,809,520</u>	<u>\$ 24,671,645</u>	<u>\$ (862,125)</u>	<u>-3%</u>	<u>\$ 24,220,369</u>	<u>\$ 451,276</u>	<u>2%</u>

\* Restated – See Note 14

Capital Assets (before depreciation) decreased \$66 thousand in 2014 and increased \$1.2 million (4%) in 2013.

Total Capital Assets decreased \$862 thousand (3%) in 2014 and increased by \$451 thousand (2%) in 2013. The decrease in 2014 is mainly due to depreciation exceeding additions for the year. The increase in 2013 is due to Treatment Facilities increasing \$482 thousand (8%) and Transmission, Storage & Collection increasing \$797 thousand (3%).

For additional information regarding capital assets, please see Note 5 of the *Notes to the Basic Financial Statements*.

**DEBT**

The District issues long term debt to finance much of its construction. Loans from USDA Rural Development, Ohio Water Development Authority, Ohio Public Works Commission and The Savings Bank were used to finance most general improvement projects.

For additional information regarding debt, please see Note 3 of the *Notes to the Basic Financial Statements*.

Table 4 summarizes the changes in Long Term Debt.

**Table 4**

	<b>2014</b>	<b>2013</b>	Change	%	<b>2012</b>	Change	%
Savings Bank Loans	\$ -	\$ 556,150	\$ (556,150)	-100%	\$ 579,652	\$ (23,502)	-4%
Rural Development Loans	6,569,450	6,694,418	(124,968)	-2%	6,812,931	(118,513)	-2%
OWDA Loans	2,100,964	2,184,317	(83,353)	-4%	2,267,525	(83,208)	-4%
OPWC Loan	325,000	350,000	(25,000)	-7%	375,000	(25,000)	-7%
Rotary Commission Loan	821,966	821,966	-	0%	821,966	-	0%
Total Long Term Debt	9,817,380	10,606,851	(789,471)	-7%	10,857,074	(250,223)	-2%
Less							
Current Maturities	239,161	258,065	(18,904)	-7%	250,191	7,874	3%
Net Total Long Term Debt	<u>\$ 9,578,219</u>	<u>\$ 10,348,786</u>	<u>\$ (770,567)</u>	<u>-7%</u>	<u>\$ 10,606,883</u>	<u>\$ (258,097)</u>	<u>-2%</u>

Net Long Term Debt decreased by \$771 thousand in 2014 due to scheduled principal payments and the pay-off of the Savings Bank Loans in full. Net Long term debt decreased by \$258 thousand (-2%) in 2013 due to scheduled principal payments.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
*For The Year Ended December 31, 2014*  
*(Unaudited)*

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**CASH**

Table 5 summarizes the changes in Unrestricted and Restricted Cash and Cash Equivalents.

**Table 5**

	<b>2014</b>	<b>2013</b>	Change	%	<b>2012</b>	Change	%
Unrestricted Cash and Cash Equivalents	\$ 2,218,317	\$ 1,683,126	\$ 535,191	32%	\$ 1,695,462	\$ (12,336)	-1%
Cash Restricted for Debt Service	411,993	411,993	-	0%	411,993	-	0%
Total Cash	<u>\$ 2,630,310</u>	<u>\$ 2,095,119</u>	<u>\$ 535,191</u>	<u>26%</u>	<u>\$ 2,107,455</u>	<u>\$ (12,336)</u>	<u>-1%</u>

Unrestricted Cash and Cash Equivalents increased \$535 thousand (26%) in 2014 due mainly to cash contributions received from the State of Ohio and decreased \$12 thousand (-1%) in 2013 which was not significant. Cash restricted for debt service did not change in 2014 or 2013.

**CURRENT FINANCIAL RELATED ACTIVITIES**

A 3% water rate adjustment for all District customers was implemented on January 1, 2013. A sewer rate adjustment of 3% for Pickaway Township and Stoutsville/Tarleton service area customers and 10% for Circleville Township service area customers was implemented on January 1, 2013. Future rate adjustments are projected in the District's Ten Year Plan and are evaluated annually.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Dennis Williams, General Manager, Earnhart Hill Regional Water and Sewer District, PO Box 151, Circleville, Ohio 43113-0151 or (740) 474-3114.

**Earnhart Hill Regional Water and Sewer District**

*Statements of Net Position*

*As of December 31, 2014*

*(With Comparative Amounts for 2013)*

	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,218,317	\$ 1,683,126
Accounts receivable	408,392	424,277
Assessments receivable	1,136,273	1,169,332
Inventories	116,118	113,379
Prepaid expenses	13,284	15,487
<b>TOTAL CURRENT ASSETS</b>	<b>3,892,384</b>	<b>3,405,601</b>
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Cash and cash equivalents - debt service reserve	411,993	411,993
<b>TOTAL RESTRICTED ASSETS</b>	<b>411,993</b>	<b>411,993</b>
<b>CAPITAL ASSETS</b>		
Land and Land Easements	841,797	746,797
Buildings	1,198,991	1,154,295
Treatment facilities	6,262,716	6,191,384
Transmission, storage and collection	23,608,269	23,362,493
Vehicles	337,155	318,807
Furniture and equipment	469,014	467,297
Construction in progress	238,170	780,558
<b>TOTAL CAPITAL ASSETS</b>	<b>32,956,112</b>	<b>33,021,631</b>
Less: Accumulated depreciation	(9,146,592)	(8,349,986)
<b>NET CAPITAL ASSETS</b>	<b>23,809,520</b>	<b>24,671,645</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,113,897</b>	<b>\$ 28,489,239</b>

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Statements of Net Position - Continued*  
*As of December 31, 2014*  
*(With Comparative Amounts for 2013)*

	2014	2013
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,268	\$ 9,504
Prepaid taps & main line extensions	95,451	125,818
Customer deposits	23,540	22,485
Insurance and taxes payable	0	7,264
Current portion of Savings Bank loans payable	0	24,753
Current portion of USDA revenue bonds payable	130,662	124,959
Current portion of OWDA loans payable	83,499	83,353
Current portion of OPWC loans payable	25,000	25,000
Accrued payroll	18,730	15,548
Intergovernmental payable	0	33,160
Retainage payable	0	25,869
Accrued interest payable	24,975	25,605
<b>TOTAL CURRENT LIABILITIES</b>	<b>405,125</b>	<b>523,318</b>
<b>LONG-TERM LIABILITIES</b>		
Loans payable Savings Bank (net of current portion)	0	531,397
Revenue bonds payable USDA (net of current portion)	6,438,788	6,569,459
Loans payable OWDA (net of current portion)	2,017,465	2,100,964
Loans payable OPWC (net of current portion)	300,000	325,000
Notes payable Rotary Loan	821,966	821,966
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>9,578,219</b>	<b>10,348,786</b>
<b>TOTAL LIABILITIES</b>	<b>9,983,344</b>	<b>10,872,104</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Assessments-Construction-Agricultural	851,715	851,715
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>851,715</b>	<b>851,715</b>
<b>NET POSITION</b>		
Net investment in capital assets	14,814,106	14,886,760
Restricted for debt service	411,993	411,993
Unrestricted	2,052,739	1,466,667
<b>TOTAL NET POSITION</b>	<b>\$ 17,278,838</b>	<b>\$ 16,765,420</b>

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Statements of Revenues, Expenses and Changes in Net Position*  
For the Year Ended December 31, 2014  
(With Comparative Amounts for 2013)

	2014	2013
<b>OPERATING REVENUES</b>		
Service charges	\$ 3,303,267	\$ 3,331,326
Other	57,216	57,114
<b>TOTAL OPERATING REVENUES</b>	<b>3,360,483</b>	<b>3,388,440</b>
<b>OPERATING EXPENSES</b>		
Treatment expense	276,434	243,387
Power	213,144	206,113
Distribution	658,009	610,001
Customer accounting	248,594	222,890
Transportation	54,786	54,507
Fringe benefits	305,168	287,710
Depreciation and amortization	887,874	860,636
Administrative and general	304,100	273,293
<b>TOTAL OPERATING EXPENSES</b>	<b>2,948,109</b>	<b>2,758,537</b>
Operating income	412,374	629,903
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Capacity charges	107,800	27,000
Tap fee revenue	24,250	8,250
Interest income	31,242	33,478
Gain on sale of assets	5,251	25,244
Interest expense	(300,224)	(327,070)
Loss on sale of asset	(484,815)	(219)
Rental income	21,982	17,291
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(594,514)</b>	<b>(216,026)</b>
<b>CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>		
	(182,140)	413,877
Capital Contributions - Cash	695,558	39,256
Capital Contributions - Developer	0	241,501
<b>Total Capital Contributions</b>	<b>695,558</b>	<b>280,757</b>
<b>CHANGES IN NET POSITION</b>	<b>513,418</b>	<b>694,634</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>16,765,420</b>	<b>16,070,786</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 17,278,838</b>	<b>\$ 16,765,420</b>

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**

*Statements of Cash Flows*

*For the Year Ended December 31, 2014*

*(With Comparative Amounts for 2013)*

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,319,152	\$ 3,294,994
Cash paid for employee salaries and benefits	(1,111,309)	(1,036,886)
Cash payments to suppliers for goods and services	(992,940)	(848,933)
Cash received from other receipts	57,216	57,114
Net cash provided by operating activities	<u>1,272,119</u>	<u>1,466,289</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Refundable line extensions	(30,367)	(35,493)
Deposits received	1,055	1,150
Net cash used for non-capital and related financing activities	<u>(29,312)</u>	<u>(34,343)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Tap fees	24,250	8,250
Capacity charges	107,800	27,000
Rental income	21,982	17,291
Revenue bond principal payments	(124,968)	(118,513)
Revenue bond interest payments	(288,015)	(296,873)
Loan principal payments	(664,503)	(131,710)
Loan interest payments	(12,839)	(31,227)
Special assessments received	33,059	28,283
Special assessment interest	21,150	23,159
Cash received for sale of assets	5,251	25,396
Proceeds from capital cash contributions	695,558	39,256
Capital outlay	(536,433)	(1,044,913)
Net cash used for capital and related financing activities	<u>(717,708)</u>	<u>(1,454,601)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	<u>10,092</u>	<u>10,319</u>
Net increase (decrease) in cash and cash equivalents	535,191	(12,336)
Cash and cash equivalents, beginning of year	<u>2,095,119</u>	<u>2,107,455</u>
Cash and cash equivalents, end of year	<u>\$ 2,630,310</u>	<u>\$ 2,095,119</u>

**Non-Cash Transactions:**

- During 2013, the District received \$241,501 in non-cash capital contributions from developers.
- As of December 31, 2013, the District had a retainage payable of \$25,869 relating to a capitalized asset.

See accompanying notes to the basic financial statements.



**Earnhart Hill Regional Water and Sewer District**  
*Statements of Cash Flows - Continued*  
For the Year Ended December 31, 2014  
(With Comparative Amounts for 2013)

	2014	2013
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 412,374	\$ 629,903
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	887,874	860,636
<b>Changes in assets and liabilities:</b>		
Decrease (increase) in accounts receivable	15,885	(36,332)
Decrease (increase) in inventories	(2,739)	15,443
Decrease (increase) in prepaid expenses	2,203	8,669
Increase (decrease) in accounts payable (trade only)	(6,236)	(12,582)
Increase (decrease) in insurance and taxes payable	(7,264)	(5,696)
Increase (decrease) in accrued payroll	3,182	1,821
Increase (decrease) in intergovernmental payable	(33,160)	4,427
Total adjustments	859,745	836,386
Net cash provided by operating activities	\$ 1,272,119	\$ 1,466,289

See accompanying notes to the basic financial statements.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**NOTE 1 - NATURE OF ORGANIZATION AND REPORTING ENTITY**

Earnhart Hill Regional Water and Sewer District (the District) was founded for the purpose of providing water and wastewater services to those areas in south central Ohio not served by other water companies. As of February 1, 1997, the previous company (Earnhart Hill Water District, Inc.) was declared by the Court to be duly organized regional water and sewer district, a political subdivision of the state of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Court approved the Plan to the Operation of the District which provided that the District would accept a transfer of the assets, and assumes all of the liabilities of the Company as a part of its organization.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Earnhart Hill Regional Water and Sewer District, there are no other boards and agencies other than the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or levying of taxes. The District has no component units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

**A. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, net position, revenues, and expenses.

This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type that the District uses is described below:

**Proprietary Fund Type** - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund provides water and sewer services to its users.

**B. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District adopted budgets and adopted and passed annual appropriations for the years ended December 31, 2014, and 2013.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level of control, and appropriations may not exceed estimated resources. For the District, the legal level of control is at the object level. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

**D. Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

**E. Accounts Receivable**

Accounts receivable are presented at their net realizable value. Uncollectible account balances are certified to the County Auditor after administrative collection efforts have been exhausted.

**F. Restricted Assets**

As explained in Note 3, a restricted account was established for the required reserve for the Rural Development Loans and is recorded as a restricted asset in the accompanying basic financial statements.

**G. Capital Assets**

Capital Assets are presented at cost or fair market value and are depreciated over the estimated useful lives of the assets from 5 to 50 years, depending upon the type of asset.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions over \$5,000 are capitalized.

**H. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District does not have any investments; so all cash balances are included in the statement of cash flows.

**I. Interest Expense**

Interest expense represents the interest portion of loan payments to the United States Department of Agriculture, Rural Development, and Ohio Water Development Authority, as well as amounts paid and accrued for the loans obtained through The Savings Bank of Circleville, Ohio.

**J. Interest Income**

Interest income represents earnings from all of the District's bank accounts and interest earned on assessments.

**K. Inventory of Supplies**

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenses when used.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2014 and 2013 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**M. Compensated Absences**

Vacation 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 the employees for the benefits through paid time off or some other means. The amount of vacation leave liability was insignificant as of December 31, 2014 and 2013 and is not recorded in the accompanying basic financial statements. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement.

**N. Intergovernmental Payable**

The District bills and collects sewer fees and penalties for the City of Circleville Sewer and Pickaway County Sewer. Intergovernmental payable represents those amounts collected on behalf of those districts but not yet paid as of December 31, 2014 and 2013.

**O. Net Position**

Net position represents the difference between assets and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted for debt service reserves as required by the Rural Development Loan requirements. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's \$411,993 in restricted net position as of December 31, 2014 and 2013, none was restricted by enabling legislation.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are fees and contract fee revenue for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or service that are the primary activity of the fund. All revenues and expenses not recorded as operating are recorded as non-operating revenues and expenses.

**Q. Capital Contributions**

The District records capital contributions of capital assets or grants and other outside contributions restricted to capital acquisition and construction. During 2014 and 2013, the following capital contributions were received:

	2014	2013
State of Ohio	\$ 668,691	\$ -
Ohio Christian University	26,867	-
Perrill Road Extension	-	7,504
Slate Run Extension	-	31,752
Pickaway County Progress Parkway	-	171,501
US HWY 22 Extension	-	70,000
Totals	\$ 695,558	\$ 280,757

**R. Deferred Inflow of Resources**

The \$851,715 balance of the deferred inflow of resources at December 31, 2014 and 2013 will be recognized as revenue and increase unrestricted net position only when those properties assessed no longer qualify for agricultural status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is therefore undeterminable.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**S. Comparative Information**

Comparative data for the prior year has been presented in selected sections of the basic financial statements in order to provide an understanding of the changes in the District's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended December 31, 2013, from which the comparative data was derived.

**NOTE 3 - CURRENT AND LONG-TERM DEBT**

Current and long term debts at December 31, 2014 are as follows:

	Payable To	Interest Rate	First Payment	Principal Term
	Rural Development	6.625%	10/1/1998	33 yrs
	Rural Development	4.250%	10/1/2003	39 yrs
	Rural Development	3.375%	12/1/2010	40 yrs.
	The Savings Bank	5.290%	7/28/1999	30 yrs.
	OWDA	0.000%	6/1/2009	30 yrs.
	OWDA	1.000%	1/1/2010	30 yrs.
	OPWC	0.000%	1/1/2010	20 yrs.

Loan #	Payable To	Interest Rate	Outstanding 12/31/2013	Additions	Deletions	Outstanding 12/31/2014	Due in One Year
91-04	Rural Development	6.625%	\$ 1,128,181	\$ -	\$ 33,958	\$ 1,094,223	\$ 36,272
91-06	Rural Development	4.250%	3,142,237	-	55,010	3,087,227	57,390
9210S	Rural Development	3.375%	2,424,000	-	36,000	2,388,000	37,000
44972	The Savings Bank	5.290%	556,150	-	556,150	-	-
4996	OWDA	0.000%	1,753,700	-	68,773	1,684,927	68,773
4839	OWDA	1.000%	430,617	-	14,580	416,037	14,726
CQ30H	OPWC	0.000%	350,000	-	25,000	325,000	25,000
	Rotary Loan	0.000%	821,966	-	-	821,966	-
			<u>\$ 10,606,851</u>	<u>\$ -</u>	<u>\$ 789,471</u>	<u>\$ 9,817,380</u>	<u>\$ 239,161</u>

Loan #	Payable To	Interest Rate	Outstanding 12/31/2012	Additions	Deletions	Outstanding 12/31/2013	Due in One Year
91-04	Rural Development	6.625%	\$ 1,159,967	\$ -	\$ 31,786	\$ 1,128,181	\$ 33,953
91-06	Rural Development	4.250%	3,194,964	-	52,727	3,142,237	55,006
9210S	Rural Development	3.375%	2,458,000	-	34,000	2,424,000	36,000
44972	The Savings Bank	5.290%	579,652	-	23,502	556,150	24,753
4996	OWDA	0.000%	1,822,473	-	68,773	1,753,700	68,773
4839	OWDA	1.000%	445,052	-	14,435	430,617	14,580
CQ30H	OPWC	0.000%	375,000	-	25,000	350,000	25,000
	Rotary Loan	0.000%	821,966	-	-	821,966	-
			<u>\$ 10,857,074</u>	<u>\$ -</u>	<u>\$ 250,223</u>	<u>\$ 10,606,851</u>	<u>\$ 258,065</u>

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

**NOTE 3 - CURRENT AND LONG-TERM DEBT – Continued**

The debt listed with the United States Department of Agriculture – Rural Development is water system revenue bonds. The District is required to maintain a cash balance reserve to meet revenue bond requirements. This cash balance is reported as a restricted asset in the accompanying basic financial statements. The debt listed above with the Savings Bank, OWDA and OPWC are long-term loans. Principal and interest payments for Rural Development 91-04 and 91-06 debt are due on the 1st day of each month. Principal and interest payments for Rural Development 9210S are due on December 1 of each year. Principal payments for OWDA 4996 and OWDA 4839 are due on January 1 and July 1 of each year. Principal payments for OPWC CQ30H are due on January 1 and July 1 of each year. The Savings Bank loan was paid in full during 2014.

Interest is calculated at the rates reflected above and payable for the terms described above. Future principal and interest payments on all debt are as follows:

Year	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 83,499	\$ 4,124	\$ 87,623	\$ 25,000	\$ -	\$ 25,000
2016	83,646	3,976	87,622	25,000	-	25,000
2017	83,795	3,827	87,622	25,000	-	25,000
2018	83,946	3,676	87,622	25,000	-	25,000
2019	84,098	3,524	87,622	25,000	-	25,000
2020-2024	422,825	15,285	438,110	125,000	-	125,000
2025-2029	426,864	11,247	438,111	75,000	-	75,000
2030-2034	431,108	7,003	438,111	-	-	-
2035-2039	401,183	2,541	403,724	-	-	-
Totals	<u>\$ 2,100,964</u>	<u>\$ 55,203</u>	<u>\$ 2,156,167</u>	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>

	Water System Revenue Bond		
	Principal	Interest	Total
2015	\$ 130,662	\$ 282,097	\$ 412,759
2016	136,627	275,884	412,511
2017	142,868	269,360	412,228
2018	150,403	262,509	412,912
2019	157,248	255,280	412,528
2020-2024	907,126	1,154,339	2,061,465
2025-2029	1,154,771	907,911	2,062,682
2030-2034	1,108,903	622,867	1,731,770
2035-2039	1,112,033	411,539	1,523,572
2040-2044	1,036,809	180,347	1,217,156
2045-2049	532,000	55,114	587,114
Totals	<u>\$ 6,569,450</u>	<u>\$ 4,677,247</u>	<u>\$ 11,246,697</u>

In connection with the Rural Development Bonds, OPWC, and OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these bonds and loans is \$13,727,864. For the current year, net revenue available, principal and interest paid and the coverage ratio is as follows: \$1,300,248; \$1,090,325; 0.84.

An \$821,966 long-term note is payable to the Water and Sewer Rotary Commission with no annual interest rate. The loan was obtained to enable the District to make debt service payments on OWDA loans while these properties remain in agricultural status. The term is in effect as long as the properties listed as agricultural status pertaining to this loan do not change. If such properties do not qualify as agricultural status their assessment is collected by the District and payable to the Water and Sewer Rotary Commission within ten days after the status has changed. The agreement was entered into on June 6, 1995. No amortization schedule is provided for this note. There were no payments due to the Water and Sewer Rotary Commission for the fiscal year ended December 31, 2014 or 2013.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

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**NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS**

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

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-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 represent interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any 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 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 marked 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; its political subdivisions, or other units or agencies of this State or its political subdivisions.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value.
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Banker's acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

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

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS – Continued**

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** – Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2014 and 2013, \$250,000 and \$250,000 of the District’s bank balance of \$2,720,248 and \$2,239,795 was covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution’s trust department in the District’s name and therefore, not subject to custodial credit risk. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended December 31, 2014 and 2013 was as follows:

	Ending Balance 12/31/13	Additions	Deletions	Ending Balance 12/31/14
<b>Capital Assets, Not Being Depreciated</b>				
Land and Land Easements	\$ 746,797	\$ 95,000	\$ -	\$ 841,797
Construction in Progress	780,558	294,915	(837,303)	238,170
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,527,355</b>	<b>389,915</b>	<b>(837,303)</b>	<b>1,079,967</b>
<b>Capital Assets Being Depreciated</b>				
Buildings & Bond Issue Costs	1,154,295	44,696	-	1,198,991
Treatment Facilities	6,191,384	71,332	-	6,262,716
Transmission & Storage & Collection	23,362,493	801,969	(556,193)	23,608,269
Vehicles	318,807	32,484	(14,136)	337,155
Furniture and Equipment	467,297	7,471	(5,754)	469,014
<b>Total Capital Assets, Being Depreciated</b>	<b>31,494,276</b>	<b>957,952</b>	<b>(576,083)</b>	<b>31,876,145</b>
<b>Less Accumulated Depreciation:</b>				
Buildings & Bond Issue Costs	(522,835)	(43,391)	-	(566,226)
Treatment Facilities	(2,109,300)	(206,081)	-	(2,315,381)
Transmission & Storage & Collection	(5,256,132)	(559,591)	71,378	(5,744,345)
Vehicles	(127,599)	(50,040)	14,136	(163,503)
Furniture and Equipment	(334,120)	(28,771)	5,754	(357,137)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>(8,349,986)</b>	<b>(887,874)</b>	<b>91,268</b>	<b>(9,146,592)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 24,671,645</b>	<b>\$ 459,993</b>	<b>\$ (1,322,118)</b>	<b>\$ 23,809,520</b>



**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**NOTE 5 - CAPITAL ASSETS – Continued**

	Ending Balance 12/31/12*	Additions	Deletions	Ending Balance 12/31/13
<b>Capital Assets, Not Being Depreciated</b>				
Land and Land Easements	\$ 746,797	\$ -	\$ -	\$ 746,797
Construction in Progress	876,265	1,181,103	(1,276,810)	780,558
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,623,062</b>	<b>1,181,103</b>	<b>(1,276,810)</b>	<b>1,527,355</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	1,142,505	11,790	-	1,154,295
Treatment Facilities	5,709,247	482,137	-	6,191,384
Transmission, Storage & Collection	22,574,051	795,242	(6,800)	23,362,493
Vehicles	284,459	109,853	(75,505)	318,807
Furniture and Equipment	458,329	8,968	-	467,297
<b>Total Capital Assets, Being Depreciated</b>	<b>30,168,591</b>	<b>1,407,990</b>	<b>(82,305)</b>	<b>31,494,276</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(481,184)	(41,651)	-	(522,835)
Treatment Facilities	(1,921,920)	(187,380)	-	(2,109,300)
Transmission, Storage & Collection	(4,703,520)	(559,041)	6,429	(5,256,132)
Vehicles	(164,661)	(38,443)	75,505	(127,599)
Furniture and Equipment	(299,999)	(34,121)	-	(334,120)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>(7,571,284)</b>	<b>(860,636)</b>	<b>81,934</b>	<b>(8,349,986)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 24,220,369</b>	<b>\$ 1,728,457</b>	<b>\$ (1,277,181)</b>	<b>\$ 24,671,645</b>

\* As Restated. See Note 14.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

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**NOTE 6 - DEFINED BENEFIT RETIREMENT PLAN**

Plan Description – The District participates 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-Direct 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by members, 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 to the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2014 member contribution rates were 10.00% of covered payroll for members in state and local classifications.

The 2014 and 2013 employer contribution rate for state and local employers was 14.00% of covered payroll.

The District's contributions for OPERS for the years ended December 2014, 2013, and 2012, were \$151,185, \$144,092, and \$95,901 respectively. All required contributions have been made for each year.

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the 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 No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

**NOTE 7 - POSTEMPLOYMENT BENEFITS – Continued**

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2014 and 2013, state and local employers contributed at a rate of 14.00% of covered payroll. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated 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 the employer contributions allocated to health care for members in the Traditional Plan was 2.0% during the calendar year 2014 and 1.0% during 2013. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contributions that were used to fund postemployment benefits for the years ended December 2014, 2013, 2012 were \$11,625, \$11,079, and \$27,399, respectfully. All required contributions have been made for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 8 - ACCOUNTS RECEIVABLE**

Following are accounts receivable balances presented by aging classifications as of December 31, 2014 and 2013:

	2014	2013
Current receivables (0-30 days)	\$279,541	\$298,467
Delinquent receivables (31-60 days)	33,683	35,749
Delinquent receivables (over 60 days)	36,441	36,980
Total accounts receivable	<u>\$349,665</u>	<u>\$371,196</u>

As of December 31, 2014 and 2013, the District also had miscellaneous receivables totaling \$58,727 and \$53,081, respectively.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2014 and 2013, the District contracted with Rinehart-Walters, Danner Insurance and the Ohio Plan for liability, property, and related insurance.

Coverage's provided by the program as of December 31, 2014 are as follows:

General Liability	\$5,000,000 per occurrence
	\$7,000,000 aggregate
Public Officials Liability	\$5,000,000 per occurrence
	\$7,000,000 aggregate
Automobile Liability	\$5,000,000
Property, Boiler & Machinery	\$11,743,373
Inland Marine	\$294,725
Electronic Media	\$156,982
Faithful Performance & Employee Bond	\$425,000

There has been no significant reduction in coverage from the prior year. There have been no claims that exceed commercial insurance coverage during the past three years. Medical Mutual of Ohio provided health insurance during 2014 and 2013. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**NOTE 10 – BUDGET**

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

	<u>Budgeted vs. Actual Receipts</u>	
	<u>2014</u>	<u>2013</u>
Budgeted Receipts	\$ 4,145,000	\$ 4,043,200
Actual Receipts	<u>4,296,565</u>	<u>3,532,212</u>
Variance	<u>\$ 151,565</u>	<u>\$ (510,988)</u>

	<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	
	<u>2014</u>	<u>2013</u>
Appropriation Authority	\$ 4,906,850	\$ 4,722,800
Budgetary Expenditures	<u>4,748,785</u>	<u>4,517,252</u>
Variance	<u>\$ 158,065</u>	<u>\$ 205,548</u>

**NOTE 11 - PENDING LITIGATION**

The District's general legal counsel is Bricker & Eckler, LLP, Columbus, Ohio.

There was no material litigation pending or outstanding as of December 31, 2014 that management believes might have a significant affect on the accompanying financial statements.

**NOTE 12 - FEDERAL FINANCIAL ASSISTANCE**

The District received \$0 in financial assistance in 2014 and 2013.

**NOTE 13 – ASSESSMENTS RECEIVABLE**

The details for the fiscal year ended December 31, 2014 and 2013 are as follows:

<u>Construction Assessments</u>	<u>Total Assessment</u>	<u>Principal Collected From Prepaids and Auditor</u>	<u>Ending Receivable Balance</u>	<u>Percent Collected</u>
2014	\$ 2,102,001	\$ 965,728	\$ 1,136,273	45.9%
2013	2,102,001	932,669	1,169,332	44.4%

The assessment receivable balance at December 31, 2014 and 2013 includes deferred agricultural property construction assessments of \$851,715. This amount is recorded as a deferred inflow of resource in the accompanying financial statements and will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is undeterminable.

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION**

The District discovered and corrected errors related to previously reported assessment receivable and capital asset balances. The effect on beginning net position is as follows:

Net Position As of December 31, 2012:	\$16,007,966
Correction of Errors:	
Related to Assessments Receivable	80,205
Related to Capital Assets	(17,385)
Restated Net Position As of January 1, 2013:	<u>\$16,070,786</u>

**NOTE 15 – INFORMATION BY DIVISION**

The District maintains two divisions which provide water and sewer services. Information by division for the year ended December 31, 2014 and 2013 follows:

	2014		
	<u>Division</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Operating revenues	\$ 2,569,985	\$ 790,498	\$ 3,360,483
Operating expenses, before depreciation	1,588,421	471,814	2,060,235
Depreciation	<u>595,889</u>	<u>291,985</u>	<u>887,874</u>
Operating Income	<u>385,675</u>	<u>26,699</u>	<u>412,374</u>
Non-operating revenues	862,754	23,329	886,083
Non-operating expenses	<u>697,138</u>	<u>87,901</u>	<u>785,039</u>
Net Income/(Loss)	<u>\$ 551,291</u>	<u>\$ (37,873)</u>	<u>\$ 513,418</u>

**Earnhart Hill Regional Water and Sewer District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**NOTE 15 – INFORMATION BY DIVISION - Continued**

	2013		
	Division		
	Water	Sewer	Total
Operating revenues	\$ 2,593,914	\$ 794,526	\$ 3,388,440
Operating expenses, before depreciation	1,474,176	423,725	1,897,901
Depreciation	571,510	289,126	860,636
Operating Income	548,228	81,675	629,903
Non-operating revenues	367,107	24,913	392,020
Non-operating expenses	234,618	92,671	327,289
Net Income/(Loss)	\$ 680,717	\$ 13,917	\$ 694,634



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Required by *Government Auditing Standards***

Earnhart Hill Regional Water and Sewer District  
Pickaway County  
2030 Stoneridge Drive  
Circleville, Ohio 43113

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Earnhart Hill Regional Water and Sewer District, Pickaway County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Earnhart Hill Regional Water and Sewer District's basic financial statements and have issued our report thereon dated May 28, 2015.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Earnhart Hill Regional Water and Sewer District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Earnhart Hill Regional Water and Sewer District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Earnhart Hill Regional Water and Sewer District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees  
Earnhart Hill Regional Water and Sewer District

***Compliance and Other Matters***

As part of reasonably assuring whether the Earnhart Hill Regional Water and Sewer District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Earnhart Hill Regional Water and Sewer District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Earnhart Hill Regional Water and Sewer District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
May 28, 2015





# Dave Yost • Auditor of State

**EARNHART HILL REG WATER AND SEWER DISTRICT**

**PICKAWAY 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  
JULY 23, 2015**