EARNHART HILL REGIONAL WATER AND SEWER DISTRICT
PICKAWAY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

EARNHART HILL REGIONAL WATER AND SEWER DISTRICT
PICKAWAY COUNTY

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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 Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the 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 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 District's internal control. Accordingly, we express no such 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.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio, as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years 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*, and schedules of net pension liabilities and pension contributions 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 10, 2018

This discussion and analysis, along with the accompanying financial report, of Earnhart Hill Regional Water and Sewer District (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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2017 and 2016 by $18,329,068 and $17,628,695, respectively. The District's net position increased by $700,373 or 4% in 2017 and $397,185 or 2% in 2016.
- The District's operating revenues increased by $370,504 or 10% in 2017 and $321,340 or 10% in 2016. Operating expenses increased $491,663 or 15% in 2017 and $350,278 or 12% in 2016.
- The District issued no additional long term debt in 2016. In April 2017, the District entered into an obligation with the USDA Rural Development to upgrade the River Drive Waste Water Treatment Plant. The loan will be in the amount of $4,959,000, with an interest rate of 2.75% for 40 years, with an expected project completion date of May 2019. In July 2017, the District entered into a second obligation with USDA Rural Development for the upgrade project. The loan will be in the amount of $214,000, with an interest rate of 2.625% for 40 years and a grant in the amount of $369,000. None of these funds were drawn in 2017. It is expected the loan will be signed in the first half of 2018.

Overview of the 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/outflows 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 plus deferred outflows of resources 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

	2017	2016	Change	%	2015	Change	%
Current & Other Assets	$4,454,274	$4,519,892	($65,618)	(1%)	$4,093,919	$425,973	10%
Capital Assets, Net	24,072,140	23,224,754	847,386	4%	23,366,185	(141,431)	(1%)
Total Assets	28,526,414	27,744,646	781,768	3%	27,460,104	284,542	1%
Deferred Outflows	761,167	562,382	198,785	35%	150,501	411,881	274%
Current & Other Liabilities	444,768	438,578	6,190	1%	415,367	23,211	6%
Long-Term Liabilities	9,651,278	9,362,594	288,684	3%	9,098,018	264,576	3%
Total Liabilities	10,096,046	9,801,172	294,874	3%	9,513,385	287,787	3%
Deferred Inflows	862,467	877,161	(14,694)	(2%)	865,710	11,451	1%
Net Position							
Net Investment in Capital Assets	16,790,644	15,732,984	1,057,660	7%	15,667,888	65,096	0%
Restricted	305,298	305,298	0	0%	305,298	0	0%
Unrestricted	1,233,126	1,590,413	(357,287)	(22%)	1,258,324	332,089	26%
Total Net Position	$18,329,068	$17,628,695	$700,373	4%	$17,231,510	$397,185	2%

The District's total net position increased $700,373 or 4% in 2017 and $397,185 or 2% in 2016. These increases were a result of excess revenues over expenses. Restricted net position did not change in 2017 or 2016. 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 $1,057,660 or 7% in 2017 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense and disposals. Net investment in capital assets increased by $65,096 or less than 1% in 2016 due primarily to additions of capital assets and repayments of debt principal that were only partially offset by depreciation expense and disposals. Unrestricted net position decreased $357,287 or 22% in 2017 due to an increase in net pension liability, which were only partially offset by an increase in deferred outflows of resources. Unrestricted net position increased $332,089 or 26% in 2016 due to increases in cash balances and deferred outflows of resources, which were only partially offset by an increase in net pension liability.

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

	2017	2016	Change	%	2015	Change	%
Operating Revenues	$4,069,388	$3,698,884	$370,504	10%	$3,377,544	$321,340	10%
Total Operating Revenues	4,069,388	3,698,884	370,504	10%	3,377,544	321,340	10%
Treatment Expenses	320,996	292,010	28,986	10%	215,995	76,015	35%
Power	257,831	235,946	21,885	9%	210,823	25,123	12%
Distribution	879,423	708,445	170,978	24%	663,343	45,102	7%
Customer Accounting	314,276	300,572	13,704	5%	293,036	7,536	3%
Transportation	57,316	39,437	17,879	45%	42,562	(3,125)	(7%)
Fringe Benefits	654,460	446,889	207,571	46%	321,072	125,817	39%
Depreciation & Amortization	970,114	925,407	44,707	5%	874,720	50,687	6%
Administration & General	375,830	389,877	(14,047)	(4%)	366,754	23,123	6%
Total Operating Expenses	3,830,246	3,338,583	491,663	15%	2,988,305	350,278	12%
Operating Income	239,142	360,301	(121,159)	-34%	389,239	(28,938)	(7%)
Non-Operating Revenues	388,824	263,044	125,780	48%	446,620	(183,576)	(41%)
Non-Operating Expenses	206,500	277,281	(70,781)	(26%)	218,596	58,685	27%
Capital Contributions	278,907	51,121	227,786	446%	77,067	(25,946)	(34%)
Changes in Net Position	700,373	397,185	303,188	76%	694,330	(297,145)	(43%)
Net Position at Beginning of Year	17,628,695	17,231,510	397,185	2%	16,537,180	694,330	4%
Net Position at End of Year	$18,329,068	$17,628,695	$700,373	4%	$17,231,510	$397,185	2%

Operating revenues increased $370,504 or 10% in 2017 and $321,340 or 10% in 2016. The increase in 2017 was due to an increase in rates and an increase of 14.6 million gallons in water sales and 0.9 million gallons in sewer sales. The increase in 2016 was due to an increase in rates and in miscellaneous income. 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 $278,907 and $51,121 in capital contributions in 2017 and 2016, respectively. In 2017, the District received 3 main water line extensions and 1 sewer line extension from developers. In 2016, the District received these funds due to the 5-year expiration of 3 line extension projects and a bureau of workers compensation grant. Operating expenses, excluding depreciation, increased by $446,956 or 19% in 2017 and $299,591 or 14% in 2016. Increases of $170,978 in distribution expenses and $207,571 in fringe benefit expenses accounted for most of the increase in 2017. Increases of $76,015 in treatment expenses and $125,817 in fringe benefit expenses accounted for most of the increase in 2016. Fringe benefits increased significantly each year due to the increase in the District's proportionate share of the state-wide net pension liability each year.

Capital Assets

Table 3 summarizes the changes in capital assets.

Table 3

	2017	2016	Change	%	2015	Change	%
Land	$841,797	$841,797	$0	0%	$841,797	$0	0%
Buildings	1,877,086	1,234,731	642,355	52%	1,207,183	27,548	2%
Treatment Facilities	6,563,047	6,472,211	90,836	1%	6,388,924	83,287	1%
Transmission, Storage & Collection	24,713,586	24,042,089	671,497	3%	23,959,284	82,805	0%
Vehicles	396,671	367,926	28,745	8%	337,155	30,771	9%
Furniture & Equipment	564,048	569,597	(5,549)	(1%)	490,172	79,425	16%
Construction in Progress	1,010,683	656,111	354,572	54%	233,910	422,201	180%
Total Before Depreciation	35,966,918	34,184,462	1,782,456	5%	33,458,425	726,037	2%
Accumulated Depreciation	(11,894,778)	(10,959,708)	(935,070)	9%	(10,092,240)	(867,468)	9%
Total Capital Assets, Net	$24,072,140	$23,224,754	$847,386	4%	$23,366,185	($141,431)	(1%)

Capital assets (before depreciation) increased $1,782,456 or 5% in 2017 and increased $726,037 or 2% in 2016. Total capital assets, net increased $847,386 or 4% in 2017 and decreased $141,431 or 1% in 2016. The increase in 2017 is due to additions exceeding depreciation and disposals for the year. The decrease in 2016 is due to depreciation and disposals exceeding additions for the year. For additional information regarding capital assets, please see note 7 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, and Ohio Public Works Commission were used to finance most general improvement projects.

Table 4 summarizes the changes in long-term debt.

Table 4

	2017	2016	Change	%	2015	Change	%
Rural Development Loans	$5,181,472	$5,282,950	($101,478)	(2%)	$5,380,832	($97,882)	(2%)
OWDA Loans	1,850,024	1,933,820	(83,796)	(4%)	2,017,465	(83,645)	(4%)
OPWC Loan	250,000	275,000	(25,000)	(9%)	300,000	(25,000)	(8%)
Rotary Commission Loan	821,966	821,966	0	0%	821,966	0	0%
Total Long-Term Debt	8,103,462	8,313,736	(210,274)	(3%)	8,520,263	(206,527)	(2%)
Less Current Maturities	214,575	210,398	4,177	2%	206,375	4,023	2%
Net Total Long-Term Debt	$7,888,887	$8,103,338	($214,451)	(3%)	$8,313,888	($210,550)	(3%)

Net long-term debt decreased by $214,451 or 3% in 2017 due to scheduled principal payments. Net long-term debt decreased by $210,550 or 3% in 2016 due to scheduled principal payments. For additional information regarding debt, please see note 3 of the notes to the basic financial statements.

Cash

Table 5 summarizes the changes in unrestricted and restricted cash and cash equivalents.

Table 5

	2017	2016	Change	%	2015	Change	%
Unrestricted Cash and Cash Equivalents	$2,510,573	$2,536,010	($25,437)	(1%)	$2,099,473	$436,537	21%
Cash Restricted for Debt Service	305,298	305,298	0	0%	305,298	0	0%
Total Cash	$2,815,871	$2,841,308	($25,437)	(1%)	$2,404,771	$436,537	18%

Unrestricted cash and cash equivalents decreased $25,437 or 1% in 2017, due mainly to expenses in excess of revenues, and increased $436,537 or 21% in 2016, due mainly to revenues in excess of expenses. Cash restricted for debt service remained the same between 2015, 2016 and 2017.

Current Financial Related Activities

In 2017, the District implemented a Water Facility Charge increase of $1, a Sewer Facility Charge increase of $2 (Circleville/Pickaway Township area), and a Sewer Facility Charge increase of 10% (Stoutsville/Tarlton area). In 2017, the District also implemented a Water Usage Charge increase of 3%, a Sewer Usage Charge increase of 10% (Circleville/Pickaway Township area), and a Sewer Usage Charge increase of 10% (Stoutsville/Tarlton area). Future rate adjustments are projected in the District's Five (5) 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, 2017 and 2016

	2017	2016
Current assets		
Cash and cash equivalents	$2,510,573	$2,536,010
Accounts receivable	476,288	468,998
Assessments receivable	1,032,289	1,069,857
Inventories	115,054	127,684
Prepaid expenses	14,772	12,045
Total current assets	4,148,976	4,214,594
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents-debt service reserve	305,298	305,298
Total restricted assets	305,298	305,298
Capital assets		
Land and land easements	841,797	841,797
Buildings	1,877,086	1,234,731
Treatment facilities	6,563,047	6,472,211
Transmission, storage and collection	24,713,586	24,042,089
Vehicles	396,671	367,926
Furniture and equipment	564,048	569,597
Construction in progress	1,010,683	656,111
Total capital assets	35,966,918	34,184,462
Less: accumulated depreciation	(11,894,778)	(10,959,708)
Capital assets, net	24,072,140	23,224,754
Total assets	28,526,414	27,744,646
Deferred outflows of resources		
Pension	761,167	562,382
Total deferred outflows of resources	$761,167	$562,382

(continued)

Earnhart Hill Regional Water and Sewer District

Statements of Net Position (Continued)

As of December 31, 2017 and 2016

	2017	2016
Current liabilities		
Accounts payable	$9,097	$17,131
Prepaid taps and main line extensions	97,641	89,987
Customer deposits	23,775	24,250
Current portion of USDA revenue bonds payable	105,629	101,602
Current portion of OWDA loans payable	83,946	83,796
Current portion of OPWC loans payable	25,000	25,000
Accrued payroll	35,804	26,332
Intergovernmental payable	36,020	32,605
Retainage payable	10,007	19,624
Accrued interest payable	17,849	18,251
Total current liabilities	444,768	438,578
Long-term liabilities		
Revenue bonds payable USDA (net of current portion)	5,075,843	5,181,348
Loans payable OWDA (net of current portion)	1,766,078	1,850,024
Loans payable OPWC (net of current portion)	225,000	250,000
Notes payable Rotary Loan	821,966	821,966
Net pension liability	1,762,391	1,259,256
Total long-term liabilities	9,651,278	9,362,594
Total liabilities	10,096,046	9,801,172
Deferred inflows of resources		
Assessments-construction-agricultural	851,715	851,715
Pension	10,752	25,446
Total deferred inflows of resources	862,467	877,161
Net position		
Net investment in capital assets	16,790,644	15,732,984
Restricted for debt service	305,298	305,298
Unrestricted	1,233,126	1,590,413
Total net position	$18,329,068	$17,628,695

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 Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Service charges	$3,929,807	$3,589,254
Other	139,581	109,630
Total operating revenues	4,069,388	3,698,884
Operating expenses		
Treatment expense	320,996	292,010
Power	257,831	235,946
Distribution	879,423	708,445
Customer accounting	314,276	300,572
Transportation	57,316	39,437
Fringe benefits	654,460	446,889
Depreciation and amortization	970,114	925,407
Administrative and general	375,830	389,877
Total operating expenses	3,830,246	3,338,583
Operating income	239,142	360,301
Nonoperating revenues (expenses)		
Capacity charges	292,200	160,150
Tap fee revenue	48,211	41,200
Interest income	27,869	29,030
Gain on sale of assets	77	10,075
Interest expense	(206,500)	(210,539)
Loss on disposal of assets	0	(66,742)
Rental income	20,467	22,589
Net nonoperating revenues (expenses)	182,324	(14,237)
Changes in net position before capital contributions	421,466	346,064
Capital Contributions-intergovernmental	0	40,000
Capital contributions-cash	0	11,121
Capital Contributions - developer	278,907	0
Total capital contributions	278,907	51,121
Changes in net position	700,373	397,185
Net position, beginning of year	17,628,695	17,231,510
Net position, end of year	$18,329,068	$17,628,695

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	$3,922,517	$3,563,916
Cash paid for employee salaries and benefits	(1,163,320)	(1,296,074)
Cash payments to suppliers for goods and services	(1,392,400)	(1,025,662)
Cash received from other receipts	139,581	109,630
Net cash provided by operating activities	1,506,378	1,351,810
Cash flows from noncapital and related financial activities		
Refundable line extensions	7,654	(14,621)
Deposits received (returned)	(475)	(325)
Net cash provided by (used for) noncapital and related financing activities	7,179	(14,946)
Cash flows from capital and related financing activities		
Tap fees	48,211	41,200
Capacity charges	292,200	160,150
Rental income	20,467	22,589
Revenue bond principal payments	(101,478)	(97,882)
Revenue bond interest payments	(203,075)	(206,953)
Loan principal payments	(108,796)	(108,645)
Loan interest payments	(3,827)	(3,976)
Special assessments received	37,568	34,057
Special assessment interest	14,241	16,701
Cash received for sale of assets	77	10,075
Proceeds from capital cash contributions	278,907	51,121
Capital outlay	(1,827,117)	(831,093)
Net cash used for capital and related financing activities	(1,552,622)	(912,656)
Cash flows from investing activities		
Interest on cash and cash equivalents	13,628	12,329
Net increase (decrease) in cash and cash equivalents	(25,437)	436,537
Cash and cash equivalents, beginning of year	2,841,308	2,404,771
Cash and cash equivalents, end of year	$2,815,871	$2,841,308

Non-Cash Transactions:

As of December 31, 2017, the District had retainage payable of $10,007 relating to a capitalized asset.

As of December 31, 2016, the District had retainage payable of $19,624 relating to a capitalized asset.

(continued)

Earnhart Hill Regional Water and Sewer District
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$239,142	$360,301
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	970,114	925,407
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(7,290)	(25,338)
Decrease (increase) in inventories	12,630	91
Decrease (increase) in prepaid expenses	(2,727)	1,754
Increase (decrease) in accounts payable (trade only)	(8,034)	(24,119)
Increase (decrease) in accrued payroll	9,472	6,413
Increase (decrease) in intergovernmental payable	3,415	32,605
(Increase) decrease in deferred outflows of resources-pension	(198,785)	(411,881)
Increase (decrease) in deferred inflows of resources-pension	(14,694)	11,451
Increase (decrease) in net pension liability	503,135	475,126
Total adjustments	1,267,236	991,509
Net cash provided by operating activities	$1,506,378	$1,351,810

See accompanying notes to the basic financial statements.

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:

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/outflows 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.

Basis of Accounting

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

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, 2017 and 2016.

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. Unencumbered 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.

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.

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.

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.

Capital Assets

Capital assets are presented at cost or estimated historical cost. Contributed capital assets are recorded at their acquisition value as of the date received. These assets are depreciated over the following estimated useful lives:

Buildings	15-30 years
Treatment Facilities	5-50 years
Transmission & Collections	10-50 years
Vehicles	3-10 years
Furniture & Equipment	3-20 years

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.

Cash and Cash Equivalents

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

Interest Expense

Interest expense represents the interest portion of loan payments to the United States Department of Agriculture, Rural Development, and the Ohio Water Development Authority.

Interest Income

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

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.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2017 and 2016 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.

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, 2017 and 2016 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.

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, 2017 and 2016.

Net Position

Net position represents the difference between assets plus deferred outflows of resources 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. None of the District's restricted net position as of December 31, 2017 and 2016 was restricted by enabling legislation.

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 services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are recorded as non-operating revenues and expenses.

Capital Contributions

The District records capital contributions of capital assets or grants and other outside contributions restricted to capital acquisition and construction. During 2017 and 2016, the following capital contributions were received:

	2017	2016
Ohio Bureau of Workers Compensation Grant	$0	$40,000
Kingston Pike Line Extension	0	5,846
State Route 159 Line Extension	0	2,336
Morris Leist Road Line Extension	0	2,939
OCU Developer Line Extension	97,652	0
Loves Truck Stop Improvements	125,000	0
Kingston Mounds III Water Line Extensions	33,950	0
Kingston Mounds III Gravity Sewer	22,305	0
Totals	$278,907	$51,121

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pensions, which is further discussed in note 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to special assessments and pensions. The $851,715 balance of the deferred inflow of resources for assessments at December 31, 2017 and 2016 will be recognized as revenue and increase unrestricted net position only when those properties assessed no longer qualify for agricultural status, as defined in Ohio Revised Code Chapter 929, and as certified by the County Auditor. The time frame for collection is therefore undeterminable. Deferred inflows related to pensions will be further discussed in note 8.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Comparative Information

Comparative data for the prior year has been presented in the basic financial statements in order to provide an understanding of the changes in the District's financial position and operations. Such information includes 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, 2016, from which the comparative data was derived.

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.

Note 3- Current and Long-Term Debt

Current and long term debts at December 31, 2017 are as follows:

Payable To	Interest Rate	First Payment	Principal Term
Rural Development	4.250%	10/1/2003	39 yrs.
Rural Development	3.375%	12/1/2010	40 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 #	Obligation	Interest Rate	Outstanding 12/31/2016	Additions	Deletions	Outstanding 12/31/2017	Due in One Year
91-06	Rural Development	4.250%	$2,969,950	$0	$62,478	$2,907,472	$65,180
9210S	Rural Development	3.375%	2,313,000	0	39,000	2,274,000	40,449
4996	OWDA	0.000%	1,547,383	0	68,773	1,478,610	68,773
4839	OWDA	1.000%	386,437	0	15,023	371,414	15,173
CQ30H	OPWC	0.000%	275,000	0	25,000	250,000	25,000
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		1,259,256	503,135	0	1,762,391	0
			$9,572,992	$503,135	$210,274	$9,865,853	$214,575

Loan #	Obligation	Interest Rate	Outstanding 12/31/2015	Additions	Deletions	Outstanding 12/31/2016	Due in One Year
91-06	Rural Development	4.250%	$3,029,832	$0	$59,882	$2,969,950	$62,473
9210S	Rural Development	3.375%	2,351,000	0	38,000	2,313,000	39,129
4996	OWDA	0.000%	1,616,154	0	68,771	1,547,383	68,773
4839	OWDA	1.000%	401,311	0	14,874	386,437	15,023
CQ30H	OPWC	0.000%	300,000	0	25,000	275,000	25,000
	Rotary Loan	0.000%	821,966	0	0	821,966	0
	Net Pension Liability		784,130	475,126	0	1,259,256	0
			$9,304,393	$475,126	$206,527	$9,572,992	$210,398

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 OWDA and OPWC are long-term loans. Principal and interest payments for Rural Development 91-06 debt are due on the first 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 principal and interest payments for OWDA 4839 are due on January 1 and July 1 of each year. Principal payments for OPWC CQ30H are due on January 31 and July 1 of each year.

In April 2017, the District entered into an obligation with the USDA Rural Development to upgrade the River Drive Waste Water Treatment Plant. The loan will be in the amount of $4,959,000, with an interest rate of 2.75% for 40 years, with an expected project completion date of May 2019. In July 2017, the District entered into a second obligation with USDA Rural Development for the upgrade project. The loan will be in the amount of $214,000, with an interest rate of 2.625% for 40 years and a grant in the amount of $369,000. None of these funds were drawn in 2017. It is expected the loan will be signed in the first half of 2018.

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:

	OWDA			OPWC		
Year	Principal	Interest	Total	Principal	Interest	Total
2018	$83,946	$3,676	$87,622	$25,000	$0	$25,000
2019	84,098	3,524	87,622	25,000	0	25,000
2020	84,252	3,371	87,623	25,000	0	25,000
2021	84,407	3,215	87,622	25,000	0	25,000
2022	84,564	3,059	87,623	25,000	0	25,000
2023-2027	425,224	12,887	438,111	125,000	0	125,000
2028-2032	429,385	8,726	438,111	0	0	0
2033-2037	433,759	4,352	438,111	0	0	0
2038-2039	140,389	467	140,856	0	0	0
Totals	$1,850,024	$43,277	$1,893,301	$250,000	$0	$250,000

	Water System Revenue Bond		
Year	Principal	Interest	Total
2018	$105,629	$199,056	$304,685
2019	109,819	194,866	304,685
2020	114,178	190,508	304,686
2021	118,711	185,974	304,685
2022	123,428	181,257	304,685
2023-2027	694,811	828,616	1,523,427
2028-2032	844,751	678,676	1,523,427
2033-2037	1,027,550	495,877	1,523,427
2038-2042	1,250,509	272,919	1,523,428
2043-2047	563,794	90,520	654,314
2048-2049	228,292	11,785	240,077
Totals	$5,181,472	$3,330,054	$8,511,526

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 $10,654,827. For the current year, net revenue available, principal and interest paid and the coverage ratio are as follows: $1,209,256; $417,176; and 0.34.

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 originally entered into on June 6, 1995 by SCIPPO Sewer District but was absorbed by Earnhart Hill Regional Water & Sewer District when it purchased SCIPPO in June 2009. No amortization schedule is provided for this note. There were no payments due to the Water and Sewer Rotary Commission for the years ended December 31, 2017 and 2016.

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 divisions (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.

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, 2017 and 2016, $250,000 and $250,000 of the District's bank balances of $3,109,170 and $2,871,482 were 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 – Accounts Receivable

The following are accounts receivable balances presented by aging classifications as of December 31, 2017 and 2016:

	2017	2016
Current receivables (0-30 days)	$346,063	$317,471
Delinquent receivables (31-60 days)	29,827	44,424
Delinquent receivables (over 60 days)	37,705	39,452
Total accounts receivable	$413,595	$401,347

As of December 31, 2017 and 2016, the District also had miscellaneous receivables totaling $62,693 and $67,651, respectively.

Note 6 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017 and 2016, the District contracted with Rinehart, Walters, Danner Insurance and the Ohio Plan for liability, property, and related insurance. Coverages provided by the program as of December 31 are as follows:

	2017	2016
General Liability	$5,000,000 per occurrence	$5,000,000 per occurrence
	$7,000,000 aggregate	$7,000,000 aggregate
Public Officials Liability	$5,000,000 per occurrence	$5,000,000 per occurrence
	$7,000,000 aggregate	$7,000,000 aggregate
Automobile Liability	$5,000,000	$5,000,000
Property, Boiler & Machinery	$13,121,020	$12,277,110
Inland Marine	$375,354	$309,601
Electronic Media	$161,727	$159,337
Faithful Performance & Employee Bond	$425,000	$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 2017 and 2016. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

Note 7 – Capital Assets

Capital assets activity for the years ended December 31, 2017 and 2016 was as follows:

	Ending Balance 12/31/16	Additions	Deletions	Ending Balance 12/31/17
Capital Assets, Not Being Depreciated				
Land and Land Easements	$841,797	$0	$0	$841,797
Construction in Progress	656,111	1,434,142	(1,079,570)	1,010,683
Total Capital Assets, Not Being Depreciated	1,497,908	1,434,142	(1,079,570)	1,852,480
Capital Assets Being Depreciated				
Buildings	1,234,731	642,355	0	1,877,086
Treatment Facilities	6,472,211	90,836	0	6,563,047
Transmission & Storage & Collection	24,042,089	687,286	(15,789)	24,713,586
Vehicles	367,926	28,745	0	396,671
Furniture and Equipment	569,597	13,706	(19,255)	564,048
Total Capital Assets, Being Depreciated	32,686,554	1,462,928	(35,044)	34,114,438
Less Accumulated Depreciation:				
Buildings	(642,007)	(56,923)	0	(698,930)
Treatment Facilities	(2,759,095)	(232,922)	0	(2,992,017)
Transmission & Storage & Collection	(6,906,376)	(593,241)	15,789	(7,483,828)
Vehicles	(247,330)	(54,693)	0	(302,023)
Furniture and Equipment	(404,900)	(32,335)	19,255	(417,980)
Total Capital Assets Being Depreciated, Net	(10,959,708)	(970,114)	35,044	(11,894,778)
Total Capital Assets, Net	$23,224,754	$1,926,956	($1,079,570)	$24,072,140

	Ending Balance 12/31/15	Additions	Deletions	Ending Balance 12/31/16
Capital Assets, Not Being Depreciated				
Land and Land Easements	$841,797	$0	$0	$841,797
Construction in Progress	233,910	679,776	(257,575)	656,111
Total Capital Assets, Not Being Depreciated	1,075,707	679,776	(257,575)	1,497,908
Capital Assets Being Depreciated				
Buildings	1,207,183	42,509	(14,961)	1,234,731
Treatment Facilities	6,388,924	173,394	(90,107)	6,472,211
Transmission & Storage & Collection	23,959,284	83,573	(768)	24,042,089
Vehicles	337,155	50,383	(19,612)	367,926
Furniture and Equipment	490,172	79,425	0	569,597
Total Capital Assets, Being Depreciated	32,382,718	429,284	(125,448)	32,686,554
Less Accumulated Depreciation:				
Buildings	(610,944)	(46,024)	14,961	(642,007)
Treatment Facilities	(2,559,944)	(221,646)	22,495	(2,759,095)
Transmission & Storage & Collection	(6,322,253)	(584,891)	768	(6,906,376)
Vehicles	(219,399)	(47,543)	19,612	(247,330)
Furniture and Equipment	(379,700)	(25,200)	0	(404,900)
Total Capital Assets Being Depreciated, Net	(10,092,240)	(925,304)	57,836	(10,959,708)
Total Capital Assets, Net	$23,366,185	$183,756	($325,187)	$23,224,754

Note 8 – Defined Benefit Retirement Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	2017	2016
	State and Local	State and Local
Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension	13.0 %	12.0 %
Post-Employment Health Care Benefits	1.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contributions were $142,119 and $120,593 for 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liabilities for OPERS were measured as of December 31, 2016 and 2015, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of those dates. The District's proportion of the net pension liabilities were based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. The following is information related to the proportionate share and pension expense:

	2017	2016
Proportionate Share of the Net Pension Liability	$1,762,391	$1,259,256
Proportion of the Net Pension Liability	0.007761%	0.007270%
Pension Expense	$431,775	$195,289

At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2016
Deferred Outflows of Resources		
Differences between expected and actual experience	$2,389	$0
Changes of assumptions	279,537	0
Net difference between projected and actual earnings on pension plan investments	262,464	370,142
Changes in proportion and differences between District contributions and proportionate share of contributions	74,658	71,647
District contributions subsequent to the measurement date	142,119	120,593
Total Deferred Outflows of Resources	$761,167	$562,382
Deferred Inflows of Resources		
Differences between expected and actual experience	$10,490	$24,331
Changes in proportion and differences between District contributions and proportionate share of contributions	262	1,115
Total Deferred Inflows of Resources	$10,752	$25,446

$142,119 and $120,593 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date as of December 31, 2017 and 2016, respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension for the year ended December 31, 2017 will be recognized in pension expense as follows:

Year Ending December 31:	
2018	$268,280
2019	252,705
2020	113,290
2021	(25,979)
Total	$608,296

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.80 percent
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For the year ended December 31, 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

For the year ended December 31, 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality Tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality Tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study that was completed December 31, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.75% to 3.25%, (b) payroll growth assumption was reduced from 4.25% to 3.25%, (c) assumed real wage growth was reduced from 0.50% to 0.00%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Healthy Annuitant Mortality Table adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females, (f) mortality among disabled members was updated to RP-2014 Disabled Mortality Table, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females, and (g) mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For the year ended December 31, 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rates of return, net of investments expense, for the Defined Benefit portfolio are 0.4 percent 2015.

For the year ended December 31, 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and 2015 and the long-term expected real rates of return:

		2016	2015
Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %	2.31 %
Domestic Equities	20.70	6.34	5.84
Real Estate	10.00	4.75	4.25
Private Equity	10.00	8.97	9.25
International Equities	18.30	7.95	7.40
Other investments	18.00	4.92	4.59
Total	100.00 %	5.66 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent for the year ended December 31, 2015 and 7.5 percent for the year ended December 31, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated as of the measurement date December 31, 2016 using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$2,692,446	$1,762,391	$987,354

The following table presents the District's proportionate share of the net pension liability calculated as of the measurement date December 31, 2015 using the current period discount rate assumption of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	$2,006,302	$1,259,256	$629,146

Note 9 – Postemployment Benefits

Plan Description

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 health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial/reports.shtml#CAFR, 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 the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portions of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan were 1.0 percent and 2.0 percent during calendar years 2017 and 2016, respectively. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 and 2016 was 4.0%.

The employer contributions that were used to fund postemployment benefits for the years ended December 2017, 2016, 2015 were $10,933, $20,099, and $18,110, respectfully. All required contributions have been made for each year.

Note 10 – Budget

Budgetary activity for the years ended December 31, 2017 and 2016 follows:

Budgeted vs. Actual Receipts

	2017	2016
Budgeted Receipts	$4,324,600	$3,957,000
Actual Receipts	4,775,051	4,021,768
Variance	$450,451	$64,768

Budgeted vs. Actual Budgetary Basis Expenditures

	2017	2016
Appropriation Authority	$5,862,138	$5,697,526
Budgetary Expenditures	5,777,794	4,525,176
Variance	$84,344	$1,172,350

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, 2017 that management believes might have a significant effect on the accompanying financial statements.

Note 12 – Federal Financial Assistance

The District received $0 in financial assistance in 2017 and 2016.

Note 13 – Assessments Receivable

The details for the years ended December 31, 2017 and 2016 are as follows:

Construction Assessments	Total Assessment	Principal Collected From Prepaids and Auditor	Ending Receivable Balance	Percent Collected
2017	$2,102,001	$1,069,712	$1,032,289	50.9%
2016	2,102,001	1,032,144	1,069,857	49.1%

The assessment receivable balance at December 31, 2017 and 2016 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.

Note 14 – Information by Division

The District maintains two divisions which provide water and sewer services. Information by division for the year ended December 31, 2017 and 2016 follows:

2017

	Division		
	Water	Sewer	Total
Operating revenues	$3,027,782	$1,041,606	$4,069,388
Operating expenses, before depreciation	2,168,364	691,768	2,860,132
Depreciation	647,786	322,328	970,114
Operating Income	211,632	27,510	239,142
Nonoperating revenues	546,930	120,801	667,731
Nonoperating expenses	124,502	81,998	206,500
Net Income (Loss)	$634,060	$66,313	$700,373

2016

	Division		
	Water	Sewer	Total
Operating revenues	$2,792,693	$906,191	$3,698,884
Operating expenses, before depreciation	1,851,729	561,447	2,413,176
Depreciation	616,865	308,542	925,407
Operating Income	324,099	36,202	360,301
Nonoperating revenues	277,090	37,075	314,165
Nonoperating expenses	127,113	150,168	277,281
Net Income (Loss)	$474,076	($76,891)	$397,185

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Note 15 – Implementation of New Accounting Pronouncements

For the year ended December 31, 2017, the District was required to implement Governmental Accounting Standards Board Statements No. 74, "Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans," No. 80, "Blending Requirements for Certain Component Units," No. 81, "Irrevocable Split-Interest Agreements," and No. 82, "Pension Issues."

GASB Statement No. 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the District's financial statements or note disclosures.

Earnhart Hill Regional Water and Sewer District

Required Supplementary Information

Schedule of District's Proportionate Share of the Net Pension Liability

Last Four Years (1)

	2014	2015	2016	2017
Ohio Public Employees Retirement System				
District's proportion of the net pension liability	0.006501%	0.006501%	0.007270%	0.007761%
District's proportionate share of the net pension liability	$766,419	$784,130	$1,259,256	$1,762,391
District's covered-employee payroll	$741,432	$797,417	$905,517	$1,004,942
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.37%	98.33%	139.06%	175.37%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

The amounts presented for each year were determined as of December 31 of the previous year, which is the District's measurement date.

(1) Information not available prior to 2014.

Earnhart Hill Regional Water and Sewer District

Required Supplementary Information

Schedule of District Contributions

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ohio Public Employees Retirement System										
Contractually required contribution	$42,506	$49,462	$57,488	$67,735	$68,539	$96,386	$95,690	$108,662	$120,593	$142,119
Contributions in relation to the contractually required contribution	42,506	49,462	57,488	67,735	68,539	96,386	95,690	108,662	120,593	142,119
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered-employee payroll	$607,222	$608,760	$644,730	$677,352	$685,387	$741,432	$797,417	$905,517	$1,004,942	$1,093,223
Contributions as a percentage of covered-employee payroll	7.00%	8.13%	8.92%	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Notes to the Required Supplementary Information

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.75% to 3.25%, (b) payroll growth assumption was reduced from 4.25% to 3.25%, (c) assumed real wage growth was reduced from 0.50% to 0.00%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Healthy Annuitant Mortality Table adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females, (f) mortality among disabled members was updated to RP-2014 Disabled Mortality Table, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females, and (g) mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

May 10, 2018

Dave Yost · Auditor of State

EARNHART HILL REGIONAL WATER & 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
MAY 29, 2018

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