

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013 through December 31, 2013. 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

May 19, 2014

This page intentionally left blank.

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

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Position	7 - 8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10 - 11
Notes to the Basic Financial Statements.....	12 - 21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	22 - 23



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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, 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.
April 17, 2014

Earnhart Hill Regional Water and Sewer District

Management's Discussion and Analysis

For The Year Ended December 31, 2013

(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, 2013 by \$16.8 million. The District's net position increased by \$695 thousand (4%) in 2013.

The District's Operating Revenues increased by \$176 thousand (5%) in 2013. Operating Expenses increased \$218 thousand (9%) in 2013.

The District issued no additional long term debt in 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

	2013	2012*	Change	%
Current & Other Assets	\$ 3,817,594	\$ 3,845,993	\$ (28,399)	-1%
Capital Assets	24,671,645	24,220,369	451,276	2%
Total Assets	28,489,239	28,066,362	422,877	2%
Long Term Liabilities	10,348,786	10,606,883	(258,097)	-2%
Current & Other Liabilities	523,318	536,978	(13,660)	-3%
Total Liabilities	10,872,104	11,143,861	(271,757)	-2%
Deferred Inflows	851,715	851,715	-	0%
Net Position				
Net Investment In Capital Assets	14,886,760	14,185,261	701,499	5%
Restricted	411,993	411,993	-	0%
Unrestricted	1,466,667	1,473,532	(6,865)	0%
Total Net Position	\$ 16,765,420	\$ 16,070,786	\$ 694,634	4%

* Restated – See Note 14

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

Restricted net position did not change in 2013 and 2012. Restricted net position is cash which is limited in use as part of the District's loan covenants.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

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 did not change significantly and may be used without constraints established by loan covenants or other legal requirements.

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

	2013	2012*	Difference	%
Operating Revenues	\$ 3,388,440	\$ 3,212,495	\$ 175,945	5%
Total Operating Revenues	3,388,440	3,212,495	175,945	5%
Treatment Expenses	243,387	184,471	58,916	32%
Power	206,113	211,870	(5,757)	-3%
Distribution	610,001	503,669	106,332	21%
Customer Accounting	222,890	207,112	15,778	8%
Transportation	54,507	51,525	2,982	6%
Fringe Benefits	287,710	280,708	7,002	2%
Depreciation and Amortization	860,636	844,621	16,015	2%
Administrative & General	273,293	256,167	17,126	7%
Total Operating Expenses	2,758,537	2,540,143	218,394	9%
Operating Income	629,903	672,352	(42,449)	-6%
Non-Operating Expenses	327,289	331,226	(3,937)	-1%
Non-Operating Revenues	111,263	109,179	2,084	2%
Capital Contributions	280,757	288,535	(7,778)	-3%
Changes in Net Position	694,634	738,840	(44,206)	-6%
Net Assets at Beginning of Year	16,070,786	15,331,946	738,840	5%
Net Position at End of Year	\$ 16,765,420	\$ 16,070,786	\$ 694,634	4%

* Restated – See Note 14

Operating revenues increased \$175 thousand (5%) in 2013. 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 \$281 thousand in capital contributions in 2013.

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 \$202 thousand (12%) in 2013. Increases of \$59 thousand in treatment expenses and \$106 thousand in distribution accounted for most of the increase.

Earnhart Hill Regional Water and Sewer District
Management's Discussion and Analysis
For The Year Ended December 31, 2013
(Unaudited)

CAPITAL ASSETS

Table 3 summarizes the changes in Capital Assets.

Table 3

	2013	2012*	Change	%
Land	\$ 746,797	\$ 746,797	\$ -	0%
Buildings	1,154,295	1,142,505	11,790	1%
Treatment Facilities	6,191,384	5,709,247	482,137	8%
Transmission, Storage & Collection	23,362,493	22,565,083	797,410	4%
Vehicles	318,807	284,459	34,348	12%
Furniture & Equipment	467,297	467,297	-	0%
Construction in Progress	780,558	876,265	(95,707)	-11%
Total before Depreciation	33,021,631	31,791,653	1,229,978	4%
Accumulated Depreciation	(8,349,986)	(7,571,284)	(778,702)	10%
Total Capital Assets	\$ 24,671,645	\$ 24,220,369	\$ 451,276	2%

* Restated – See Note 14

Capital Assets (before depreciation) increased \$1.2 million (4%) in 2013.

Total Capital Assets increased by \$451 thousand (2%) in 2013. Treatment Facilities increased \$482 thousand (8%) and Transmission, Storage & Collection increased \$797 thousand (4%).

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

	2013	2012	Change	%
Savings Bank Loans	\$ 556,150	\$ 579,652	\$ (23,502)	-4%
Rural Development Loans	6,694,418	6,812,931	(118,513)	-2%
OWDA Loans	2,184,317	2,267,525	(83,208)	-4%
OPWC Loan	350,000	375,000	(25,000)	-7%
Rotary Commission Loan	821,966	821,966	-	0%
Total Long Term Debt	10,606,851	10,857,074	(250,223)	-2%
Less				
Current Maturities	258,065	250,191	7,874	3%
Net Total Long Term Debt	\$ 10,348,786	\$ 10,606,883	\$ (258,097)	-2%

Net Long Term Debt decreased by \$250 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, 2013

(Unaudited)

CASH

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

Table 5

	2013	2012	Change	%
Unrestricted Cash and Cash Equivalents	\$ 1,683,126	\$ 1,695,462	\$ (12,336)	-1%
Cash Restricted for Debt Service	411,993	411,993	-	0%
Total Cash	\$ 2,095,119	\$ 2,107,455	\$ (12,336)	-1%

Unrestricted Cash and Cash Equivalents decreased \$12 thousand (-1%) in 2013. Cash restricted for debt service did not change in 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/Tarlton 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

Statement of Net Position

As of December 31, 2013

	<u>2013</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,683,126
Accounts receivable	424,277
Assessments Receivable	1,169,332
Inventories	113,379
Prepaid expenses	15,487
TOTAL CURRENT ASSETS	<u>3,405,601</u>
 NONCURRENT ASSETS	
Restricted Assets:	
Cash and cash equivalents - debt service reserve	<u>411,993</u>
TOTAL RESTRICTED ASSETS	<u>411,993</u>
 CAPITAL ASSETS	
Land and Land Easements	746,797
Buildings	1,154,295
Treatment facilities	6,191,384
Transmission, storage and collection	23,362,493
Vehicles	318,807
Furniture and equipment	467,297
Construction in progress	780,558
TOTAL CAPITAL ASSETS	<u>33,021,631</u>
Less: Accumulated depreciation	<u>(8,349,986)</u>
NET CAPITAL ASSETS	<u>24,671,645</u>
 TOTAL ASSETS	 <u><u>\$ 28,489,239</u></u>

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statement of Net Position - Continued
As of December 31, 2013

	2013
CURRENT LIABILITIES	
Accounts payable	\$ 9,504
Prepaid taps & main line extensions	125,818
Customer deposits	22,485
Insurance and taxes payable	7,264
Current portion of Savings Bank loans payable	24,753
Current portion of USDA revenue bonds payable	124,959
Current portion of OWDA loans payable	83,353
Current portion of OPWC loans payable	25,000
Accrued payroll	15,548
Intergovernmental payable	33,160
Retainage payable	25,869
Accrued interest payable	25,605
TOTAL CURRENT LIABILITIES	523,318
LONG-TERM LIABILITIES	
Loans payable Savings Bank (net of current portion)	531,397
Revenue bonds payable USDA (net of current portion)	6,569,459
Loans payable OWDA (net of current portion)	2,100,964
Loans payable OPWC (net of current portion)	325,000
Notes payable Rotary Loan	821,966
TOTAL LONG-TERM LIABILITIES	10,348,786
TOTAL LIABILITIES	10,872,104
DEFERRED INFLOWS OF RESOURCES	
Assessments-Construction-Agricultural	851,715
TOTAL DEFERRED INFLOWS OF RESOURCES	851,715
NET POSITION	
Net investment in capital assets	14,886,760
Restricted for debt service	411,993
Unrestricted	1,466,667
TOTAL NET POSITION	\$ 16,765,420

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

	2013
OPERATING REVENUES	
Service charges	\$ 3,331,326
Other	57,114
TOTAL OPERATING REVENUES	3,388,440
OPERATING EXPENSES	
Treatment expense	243,387
Power	206,113
Distribution	610,001
Customer accounting	222,890
Transportation	54,507
Fringe benefits	287,710
Depreciation and amortization	860,636
Administrative and general	273,293
TOTAL OPERATING EXPENSES	2,758,537
Operating income	629,903
NON-OPERATING REVENUES (EXPENSES)	
Capacity charges	27,000
Tap fee revenue	8,250
Interest income	33,478
Gain on sale of assets	25,244
Interest expense	(327,070)
Loss on sale of asset	(219)
Rental income	17,291
NET NON-OPERATING REVENUES (EXPENSES)	(216,026)
CHANGES IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	413,877
Capital Contributions - Cash	39,256
Capital Contributions - Developer	241,501
Total Capital Contributions	280,757
CHANGES IN NET POSITION	694,634
NET POSITION, BEGINNING OF YEAR (RESTATED)	16,070,786
NET POSITION, END OF YEAR	\$ 16,765,420

See accompanying notes to the basic financial statements.

Earnhart Hill Regional Water and Sewer District
Statement of Cash Flows
For the Year Ended December 31, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,294,994
Cash paid for employee salaries and benefits	(1,036,886)
Cash payments to suppliers for goods and services	(848,933)
Cash received from other receipts	57,114
Net cash provided by operating activities	1,466,289
 CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Refundable line extensions	(35,493)
Deposits received	1,150
Net cash used for non-capital and related financing activities	(34,343)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Tap fees	8,250
Capacity charges	27,000
Rental income	17,291
Revenue bond principal payments	(118,513)
Revenue bond interest payments	(296,873)
Loan principal payments	(131,710)
Loan interest payments	(31,227)
Special assessments received	28,283
Special assessment interest	23,159
Cash received for sale of assets	25,396
Proceeds from capital cash contributions	39,256
Capital outlay	(1,044,913)
Net cash used for capital and related financing activities	(1,454,601)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	10,319
Net increase (decrease) in cash and cash equivalents	(12,336)
Cash and cash equivalents, beginning of year	2,107,455
Cash and cash equivalents, end of year	\$ 2,095,119

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
Statement of Cash Flows - Continued
For the Years Ended December 31, 2013

	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 629,903
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	860,636
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(36,332)
Decrease (increase) in inventories	15,443
Decrease (increase) in prepaid expenses	8,669
Increase (decrease) in accounts payable (trade only)	(12,582)
Increase (decrease) in insurance and taxes payable	(5,696)
Increase (decrease) in accrued payroll	1,821
Increase (decrease) in intergovernmental payable	4,427
Total adjustments	836,386
Net cash provided by operating activities	\$ 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, 2013

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, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget and adopted and passed annual appropriations for the year ended December 31, 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, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 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, 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, 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, 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 2013, the following capital contributions were received:

Perrill Road Extension	\$ 7,504
Slate Run Extension	31,752
Pickaway County Progress Parkway	171,501
US HWY 22 Extension	<u>70,000</u>
Totals	<u><u>\$ 280,757</u></u>

R. Deferred Inflow of Resources

The \$851,715 balance of the deferred inflow of resources at December 31, 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, 2013

NOTE 3 - CURRENT AND LONG-TERM DEBT

Current and long term debts at December 31, 2013 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	18 yrs.

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>

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 and interest payments for Savings Bank are due on the 28th day of each month. 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.

Earnhart Hill Regional Water and Sewer District

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 3 - CURRENT AND LONG-TERM DEBT – Continued

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	Savings Bank			Water System Revenue Bond		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 24,753	\$ 28,827	\$ 53,580	\$ 124,959	\$ 288,015	\$ 412,974
2015	26,095	27,485	53,580	130,662	282,097	412,759
2016	27,509	26,071	53,580	136,626	275,884	412,510
2017	29,000	24,580	53,580	142,868	269,360	412,228
2018	30,572	23,008	53,580	150,402	262,509	412,911
2019-2023	179,586	88,314	267,900	865,560	1,196,465	2,062,025
2024-2028	233,825	34,075	267,900	1,100,168	962,459	2,062,627
2029-2033	4,810	23	4,833	1,164,819	674,170	1,838,989
2034-2038	-	-	0	1,069,664	454,361	1,524,025
2039-2043	-	-	0	1,180,690	223,651	1,404,341
2044-2048	-	-	0	514,000	72,461	586,461
2049	-	-	0	114,000	3,848	117,848
Totals	<u>\$ 556,150</u>	<u>\$ 252,383</u>	<u>\$ 808,533</u>	<u>\$ 6,694,418</u>	<u>\$ 4,965,280</u>	<u>\$ 11,659,698</u>

Year	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 83,353	\$ 4,270	\$ 87,623	\$ 25,000	\$ -	\$ 25,000
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
2019-2023	422,042	16,069	438,111	125,000	-	125,000
2024-2028	426,040	12,071	438,111	100,000	-	100,000
2029-2033	430,242	7,869	438,111	-	-	-
2034-2038	434,660	3,451	438,111	-	-	-
2039-2043	53,094	140	53,234	-	-	-
Totals	<u>\$ 2,184,317</u>	<u>\$ 59,473</u>	<u>\$ 2,243,790</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

In connection with the Rural Development Bonds, Savings Bank Loans, 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 \$15,062,021. For the current year, net revenue available, principal and interest paid and the coverage ratio is as follows: \$1,490,539; \$578,323; 2.58.

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, 2013.

Earnhart Hill Regional Water and Sewer District

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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, 2013

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, 2013, \$250,000 of the District’s bank balance of \$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, 2013 was as follows:

	Ending Balance 12/31/12*	Additions	Deletions	Ending Balance 12/31/13
Capital Assets, Not Being Depreciated				
Land and Land Easements	\$ 746,797	\$ -	\$ -	\$ 746,797
Construction in Progress	876,265	1,181,103	(1,276,810)	780,558
Total Capital Assets, Not Being Depreciated	1,623,062	1,181,103	(1,276,810)	1,527,355
Capital Assets Being Depreciated				
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
Total Capital Assets, Being Depreciated	30,168,591	1,407,990	(82,305)	31,494,276
Less Accumulated Depreciation:				
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)
Total Capital Assets Being Depreciated, Net	(7,571,284)	(860,636)	81,934	(8,349,986)
Total Capital Assets, Net	\$ 24,220,369	\$ 1,728,457	\$ (1,277,181)	\$ 24,671,645

* As Restated. See Note 14.

Earnhart Hill Regional Water and Sewer District

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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 2013, 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 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications.

The 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 2013, 2012, and 2011, were \$144,092, \$95,901, and \$94,712 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.

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 coverage.

Earnhart Hill Regional Water and Sewer District

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 7 - POSTEMPLOYMENT BENEFITS– Continued

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 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 1.0% during the calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during the calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 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 2013, 2012, 2011 were \$11,079, \$27,399, and \$27,059 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 recent 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, 2013:

Current receivables (0-30 days)	\$ 298,467
Delinquent receivables (31-60 days)	35,749
Delinquent receivables (over 60 days)	36,980
Total accounts receivables	<u>\$ 371,196</u>

As of December 31, 2013, the District also had miscellaneous receivables totaling \$53,081.

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 2013, the District contracted with Rinehart-Walters-Danner & Associates and the Ohio Plan for liability, property, and related insurance.

Coverage's provided by the program as of December 31, 2013 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	\$11,291,708
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 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, 2013*

NOTE 10 – BUDGET

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

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

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	
<u>2013</u>	
Appropriation Authority	\$ 4,722,800
Budgetary Expenditures	<u>4,517,252</u>
Variance	<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, 2013 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 2013.

NOTE 13 – ASSESSMENTS RECEIVABLE

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

Construction Assessments	Total Assessment	Principal Collected From Prepaids and Auditor	Ending Receivable Balance	Percent Collected
2012	\$ 2,102,001	\$ 932,669	\$ 1,169,332	44.4%

The assessment receivable balance at December 31, 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.

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>



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 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, 2013, 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 April 17, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions 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.
April 17, 2014



Dave Yost • Auditor of State

EARNHART HILL REGIONAL 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
MAY 22, 2014**