

**EARNHART HILL REGIONAL WATER AND SEWER DISTRICT  
PICKAWAY COUNTY  
Regular Audit  
For the Year Ended December 31, 2008**

*Perry & Associates*  
**Certified Public Accountants, A.C.**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Earnhart Hill Regional Water and Sewer District  
2030 Stoneridge Dr.  
P. O. Box 151  
Circleville, Ohio 43113-0151

We have reviewed the *Independent Accountants' Report* of the Earnhart Hill Regional Water and Sewer District, Pickaway County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2008 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 10, 2009

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

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***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT**

May 26, 2009

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the **Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio** (the District), as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2008, and the respective changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2009 on our consideration of the Government'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry & Associates**  
Certified Public Accountants, A.C.

## Earnhart Hill Regional Water and Sewer District

### Management's Discussion and Analysis

For the Year Ended December 31, 2008

(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 EHRWSD exceeded liabilities on December 31, 2008 and 2007 by \$10.97 million and \$9.99 million, respectively. The District's net assets increased by \$983 thousand (10%) in 2008 and \$1.2 million (13.3%) in 2007.

The District's Operating Revenues increased by \$104 thousand (5.1%) in 2008 and \$67 thousand (3.2%) in 2007. Operating Expenses increased \$162 thousand (9%) in 2008 and \$135 thousand (7.7%) in 2007.

The District issued \$2.1 million in additional long term debt in 2008 and \$0 in 2007.

#### 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 **Statements of Net Assets** includes all of the District's Assets and Liabilities. These statements provide 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 assets (equity) are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past two years 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 **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, capital financing and non-capital financing activities.

#### NET ASSETS

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

**Table 1**

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>%</u>	<u>2006</u>	<u>Change</u>	<u>%</u>
Current & Other Assets	\$ 3,302,739	\$ 2,016,760	\$ 1,285,979	64%	\$ 1,658,972	\$ 357,788	22%
Capital Assets	17,421,558	14,610,887	2,810,671	19%	13,883,529	727,358	5%
Total Assets	20,724,297	16,627,647	4,096,650	25%	15,542,501	1,085,146	7%
Long Term Liabilities	9,298,044	6,190,695	3,107,349	50%	6,342,273	(151,578)	-2%
Current & Other Liabilities	455,477	449,790	5,687	1%	385,363	64,427	17%
Total Liabilities	9,753,521	6,640,485	3,113,036	47%	6,727,636	(87,151)	-1%
Net Assets							
Invested in Capital Assets,							
Net of Debt	8,806,785	8,268,626	538,159	7%	7,395,638	872,988	12%
Restricted	302,933	284,184	18,749	7%	265,435	18,749	7%
Unrestricted	1,861,058	1,434,352	426,706	30%	1,153,792	280,560	24%
Total Net Assets	<u>\$ 10,970,776</u>	<u>\$ 9,987,162</u>	<u>\$ 983,614</u>	<u>10%</u>	<u>\$ 8,814,865</u>	<u>\$ 1,172,297</u>	<u>13%</u>

The District's Net Assets increased \$984 thousand (10%) in 2008 and \$1.2 million (13%) in 2007. These increases were a result of excess revenues over expenses and additional capital contributions.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
(Unaudited)

Restricted net assets increased \$19 thousand (7%) in 2008 and \$19 thousand (7%) in 2007. Restricted assets are cash which is limited in use as part of the District's loan covenants.

Unrestricted assets increased by \$427 thousand (30%) in 2008 and \$281 thousand (24%) in 2007. Unrestricted assets may be used without constraints established by loan covenants or other legal requirements.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

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

**Table 2**

	<b>2008</b>	<b>2007</b>	<b>Difference</b>	<b>%</b>	<b>2006</b>	<b>Difference</b>	<b>%</b>
Operating Revenues	\$ 2,272,006	\$ 2,168,490	\$ 103,516	5%	\$ 2,101,308	\$ 67,182	3%
Total Operating Revenues	2,272,006	2,168,490	103,516	5%	2,101,308	67,182	3%
Treatment Expenses	160,420	138,853	21,567	16%	124,875	13,978	11%
Power	138,155	117,142	21,013	18%	101,565	15,577	15%
Distribution	479,462	420,066	59,396	14%	394,278	25,788	7%
Customer Accounting	165,518	165,854	(336)	0%	150,349	15,505	10%
Transportation	62,945	54,841	8,104	15%	42,745	12,096	28%
Fringe Benefits	246,014	231,779	14,235	6%	212,001	19,778	9%
Depreciation and Amortization	538,132	511,364	26,768	5%	503,689	7,675	2%
Administrative & General	256,218	244,632	11,586	5%	219,605	25,027	11%
Total Operating Expenses	2,046,864	1,884,531	162,333	9%	1,749,107	135,424	8%
Operating Income	225,142	283,959	(58,817)	-21%	352,201	(68,242)	-19%
Non-Operating Expenses	313,137	325,587	(12,450)	-4%	327,188	(1,601)	0%
Non-Operating Revenues	297,493	443,745	(146,252)	-33%	240,250	203,495	85%
Capital Contributions	774,116	770,180	3,936	1%	672,166	98,014	15%
Changes in Net Assets	983,614	1,172,297	(188,683)	-16%	937,429	234,868	25%
Net Assets at Beginning of Year	9,987,162	8,814,865	1,172,297	13%	7,877,436	937,429	12%
Net Assets at End of Year	\$ 10,970,776	\$ 9,987,162	\$ 983,614	10%	\$ 8,814,865	\$ 1,172,297	13%

Operating revenues increased \$104 thousand (5%) in 2008 and \$67 thousand (3%) in 2007. Increased operating revenues in 2008 were a result of the purchase of the Scippo Sewer District and customer growth.

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. In 2009 the District received \$706,034 in capital contributions from OWDA through the acquisition of the Scippo Sewer District as more fully described in Note 2 Q in the Basic Financial Statements. In 2007 the District received \$770,180 in grant funds from the US Army Corp of Engineers and the Ohio Department of Development for the North Pickaway Duvall Area Water Line Project. The District recorded \$774 thousand in capital contributions in 2008, \$770 thousand in 2007 and \$672 thousand in 2006.

Operating expenses, excluding depreciation, increased by \$135 thousand (7%) in 2008. Increases of \$59 thousand in distribution expenses, \$22 thousand in treatment expenses and \$21 thousand in power accounted for most of the increase.

Operating expenses, excluding depreciation, increased by \$128 thousand (7%) in 2007. Increases of \$25 thousand in administrative and general expenses, \$26 thousand in distribution expenses, \$20 thousand in fringe benefits and \$16 thousand in power expenses accounted for most of the increase.

**Earnhart Hill Regional Water and Sewer District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
(Unaudited)

**CAPITAL ASSETS**

Table 3 summarizes the changes in Capital Assets.

**Table 3**

	<b>2008</b>	<b>2007</b>	Change	%	<b>2006</b>	Change	%
Land	\$ 611,344	\$ 457,094	\$ 154,250	34%	\$ 457,094	\$ -	0%
Buildings	1,083,848	1,042,845	41,003	4%	1,042,845	-	0%
Treatment Facilities	3,820,196	2,713,506	1,106,690	41%	2,708,466	5,040	0%
Transmission & Storage	15,550,928	13,833,326	1,717,602	12%	12,260,437	1,572,889	13%
Vehicles	257,776	236,400	21,376	9%	252,596	(16,196)	-6%
Furniture & Equipment	505,509	510,338	(4,829)	-1%	495,423	14,915	3%
Construction in Progress	555,730	288,326	267,404	93%	663,628	(375,302)	-57%
Total before Depreciation	22,385,331	19,081,835	3,303,496	17%	17,880,489	1,201,346	7%
Accumulated Depreciation	(4,963,773)	(4,470,948)	(492,825)	11%	(3,996,960)	(473,988)	12%
Total Capital Assets	<u>\$ 17,421,558</u>	<u>\$ 14,610,887</u>	<u>\$ 2,810,671</u>	<u>19%</u>	<u>\$ 13,883,529</u>	<u>\$ 727,358</u>	<u>5%</u>

Capital Assets (before depreciation) increased \$3.3 million (17 %) in 2008 and \$1.2 million (7%) in 2007.

Total Capital Assets increased by \$2.8 million (19%) in 2008 and \$727 thousand (5%) in 2007. Transmission & Storage increased by \$1.7 million in 2008 and \$ 1.6 million in 2007. Treatment Facilities increased \$1.1 million in 2008. The completion of the North Pickaway Duvall Area Water Line Project accounted for \$1.3 million of the increase in Transmission and Storage in 2007. The purchase of the Scippo Sewer District accounted for increases of \$1.4 million in Transmission and Storage and \$1.0 million in Treatment Facilities in 2008.

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 and The Savings Bank were used to finance most general improvement projects.

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

Table 4 summarizes the changes in Long Term Debt.

**Table 4**

	<b>2008</b>	<b>2007</b>	Change	%	<b>2006</b>	Change	%
Savings Bank Loans	\$ 1,076,726	\$ 1,105,755	\$ (29,029)	-3%	\$ 1,133,459	\$ (27,704)	-2%
Rural Development Loans	4,652,905	5,236,507	(583,602)	-11%	5,354,432	(117,925)	-2%
OWDA Loan	2,063,176	-	2,063,176	NA	-	-	NA
Rotary Commission Loan	821,966	-	821,966	NA	-	-	NA
Total Long Term Debt	8,614,773	6,342,262	2,272,511	36%	6,487,891	(145,629)	-2%
Less							
Current Maturities	168,444	151,567	16,877	11%	145,618	5,949	4%
Net Total Long Term Debt	<u>\$ 8,446,329</u>	<u>\$ 6,190,695</u>	<u>\$ 2,255,634</u>	<u>36%</u>	<u>\$ 6,342,273</u>	<u>\$ (151,578)</u>	<u>-2%</u>

**Earnhart Hill Regional Water and Sewer District**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2008*

*(Unaudited)*

**CASH**

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

**Table 5**

	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>%</b>	<b>2006</b>	<b>Change</b>	<b>%</b>
Unrestricted Cash and Cash Equivalents	\$ 1,273,813	\$ 1,340,343	\$ (66,530)	-5%	\$ 1,012,688	\$ 327,655	32%
Cash Restricted for Debt Service	302,933	284,184	18,749	7%	265,435	18,749	7%
Total Cash	<u>\$ 1,576,746</u>	<u>\$ 1,624,527</u>	<u>\$ (47,781)</u>	<u>-3%</u>	<u>\$ 1,278,123</u>	<u>\$ 346,404</u>	<u>27%</u>

Unrestricted Cash and Cash Equivalents decreased by \$67 thousand (-5%) in 2008 and increased by \$328 thousand (32%) in 2007. Cash restricted for debt service increased \$19 thousand in 2008 and 2007.

**CURRENT FINANCIAL RELATED ACTIVITIES**

The District anticipates a decrease in new residential services over the next few years and is revising its budget accordingly.

The District purchased the assets of the Scippo Sewer District in 2008. The purchase of the Scippo Sewer District adds an additional wastewater treatment plant, operating at 30% capacity, and twelve industrial/commercial customers to the District's assets. Future plans are to expand the former Scippo plant and abandon the District's exiting wastewater treatment plant, adding additional capacity to the region.

A 15% water and sewer rate adjustment was implemented on January 1, 2009. This was the first rate adjustment since 2006. Future rate adjustments will be 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 Assets*

*For the Year Ended December 31, 2008*

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	<u>2008</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,273,813
Accounts receivable	289,464
Assessments Receivable	1,279,324
Inventories	136,859
Prepaid expenses	20,346
<b>TOTAL CURRENT ASSETS</b>	<u>2,999,806</u>
 <b>NONCURRENT ASSETS</b>	
Restricted Assets:	
Cash and cash equivalents - debt service reserve	302,933
<b>TOTAL RESTRICTED ASSETS</b>	<u>302,933</u>
 <b>CAPITAL ASSETS</b>	
Land and Land Easements	611,344
Buildings	1,083,848
Treatment facilities	3,820,196
Transmission and storage	15,550,928
Vehicles	257,776
Furniture and equipment	505,509
Construction in Progress	555,730
<b>TOTAL CAPITAL ASSETS</b>	<u>22,385,331</u>
Less: Accumulated depreciation	<u>(4,963,773)</u>
<b>NET CAPITAL ASSETS</b>	<u>17,421,558</u>
 <b>TOTAL ASSETS</b>	<u><u>\$ 20,724,297</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**Earnhart Hill Regional Water and Sewer District**  
*Statement of Net Assets - Continued*  
For the Year Ended December 31, 2008

	2008
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 14,599
Prepaid taps & Main Line Extensions	181,241
Customer deposits	14,330
Insurance and taxes payable	11,060
Current portion of Savings Bank notes payable	30,780
Current portion of OWDA notes payable	68,773
Current portion of USDA revenue bonds payable	68,891
Accrued payroll	5,671
Intergovernmental payable	36,564
Accrued interest payable	23,568
TOTAL CURRENT LIABILITIES	455,477
<b>LONG-TERM LIABILITIES</b>	
Notes payable Savings Bank (net of current portion)	1,045,946
Notes payable OWDA (net of current portion)	1,994,403
Notes payable Rotary Loan	821,966
Revenue bonds payable USDA (net of current portion)	4,584,014
Deferred Revenue - Construction Agricultural	851,715
TOTAL LONG TERM LIABILITIES	9,298,044
TOTAL LIABILITIES	9,753,521
<b>NET ASSETS</b>	
Restricted for capital assets, net of related debt	8,806,785
Restricted for debt service	302,933
Unrestricted	1,861,058
TOTAL NET ASSETS	10,970,776
TOTAL LIABILITIES AND NET ASSETS	\$ 20,724,297

The accompanying notes to the basic financial statements are an integral part of this statement.

**Earnhart Hill Regional Water and Sewer District**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
For the Year Ended December 31, 2008

	2008
<b>OPERATING REVENUES</b>	
Service charges	\$ 2,172,657
Other	99,349
<b>TOTAL OPERATING REVENUES</b>	<b>2,272,006</b>
<b>OPERATING EXPENSES</b>	
Treatment expense	160,420
Power	138,155
Distribution	479,462
Customer accounting	165,518
Transportation	62,945
Fringe benefits	246,014
Depreciation and amortization	538,132
Administrative and general	256,218
<b>TOTAL OPERATING EXPENSES</b>	<b>2,046,864</b>
Operating income	225,142
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Capacity charges	170,175
Tap fee revenue	23,510
Interest income	71,257
Gain on sale of assets	13,450
Interest expense	(313,137)
Rental income	19,101
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(15,644)</b>
<b>CHANGES IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS</b>	209,498
Capital Contributions - Intergovernmental	706,034
Capital Contributions - Developer	68,082
<b>Total Capital Contributions</b>	<b>774,116</b>
<b>CHANGES IN NET ASSETS</b>	983,614
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>9,987,162</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,970,776</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

**Earnhart Hill Regional Water and Sewer District**

*Statement of Cash Flows*

*For the Year Ended December 31, 2008*

	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,161,231
Cash paid for employee salaries and benefits	(849,643)
Cash payments to suppliers for goods and services	(776,793)
Cash received from other receipts	99,349
Net cash provided by operating activities	<u>634,144</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Prepaid tap fees	-
Refundable line extensions	64,937
Deposits received	1,300
Net cash from non-capital and related financing activities	<u>66,237</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Tap fees	23,510
Capacity charges	170,175
Rental income	19,101
Revenue bond principal payments	(583,602)
Revenue bond interest payments	(257,900)
Note principal payments	(29,029)
Note interest payments	(57,970)
Special assessment interest	7,750
Cash received for sale of assets	22,101
Proceeds from OWDA note	2,063,176
Proceeds from capital grant	-
Capital outlay	(2,181,679)
Net cash used by capital and related financing activities	<u>(804,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on cash and investments	<u>56,205</u>
Net increase (decrease) in cash and cash equivalents	(47,781)
Cash and cash equivalents, beginning of year	<u>1,624,527</u>
Cash and cash equivalents, end of year	<u>\$ 1,576,746</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**Earnhart Hill Regional Water and Sewer District**  
*Statement of Cash Flows - Continued*  
For the Year Ended December 31, 2008

	2008
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 225,142
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation and amortization	538,132
<b>Changes in assets and liabilities:</b>	
Decrease (increase) in accounts receivable	(11,426)
Decrease (increase) in inventories	(44,867)
Decrease (increase) in prepaid expenses	1,857
Increase (decrease) in accounts payable (trade only)	(45,081)
Increase (decrease) in insurance and taxes payable	(91)
Increase (decrease) in accrued payroll	(8,214)
Increase (decrease) in intergovernmental payable	(21,308)
Total adjustments	409,002
Net cash provided by operating activities	\$ 634,144

Developer dedicated water lines with totals of \$68,082 in 2008 were non-cash contributions and were recorded as developer capital contributions.

The accompanying notes to the basic financial statements are an integral part of this statement.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

Earnhart Hill Regional Water and Sewer District (the District) was founded for the purpose of providing water and wastewater services to those areas in south central Ohio not served by other water companies. As of February 1, 1997, the previous company (Earnhart Hill Water District, Inc.) was declared by the Court to be a 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 assume 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. Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. 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, net assets, 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.

**C. Budgetary 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, 2008.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

**C. Budgetary Process - Continued**

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. 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 values for the assets received in the acquisition of the Scippo Sewer District and are depreciated over the estimated useful lives of the assets.

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 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, 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.

**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 or capitalized when used.

**L. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2008 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.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

**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, 2008 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 Scippo Sewer District (through 4/30/08), Circleville Sewer, Village of Stoutsville Sewer and Pickaway County Sewer. Intergovernmental payable represents those amounts collected on behalf of those districts but not yet paid as of December 31, 2008.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 assets are 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 assets are available. Of the District's \$302,933 in restricted net assets as of December 31, 2008, 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.

**Q. Capital Contributions**

The District records capital contributions of capital assets or grants and other outside contributions restricted to capital acquisition and construction. During 2008 and 2007, the following capital contributions were received:

	<b>2008</b>
Intergovernmental contribution from OWDA	
for the Scippo Sewer District acquisition	\$ 706,034
Developer donated lines	68,082
Totals	<u>\$ 774,116</u>

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

Current and long-term debt at December 31, 2008 are as follows:

<u>Loan #</u>	<u>Payable To</u>	<u>Interest Rate</u>	<u>First Payment</u>	<u>Principal Term</u>
91-04	Rural Development	6.625%	10/1/1998	33 yrs.
91-06	Rural Development	4.250%	10/1/2003	39 yrs.
44972	The Savings Bank	5.290%	7/1/1999	30 yrs.
44973	The Savings Bank	5.290%	7/1/1999	30 yrs.
4996	OWDA	0.000%	6/1/2009	30 yrs.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

Loan #	Payable To	Interest Rate	Principle			Principle	
			Outstanding 12/31/2007	Additions	Deletions	Outstanding 12/31/2008	Due in One Year
91-01	Rural Development	5.000%	\$ 27,241	\$ -	\$ 27,241	\$ -	\$ -
93-02	Rural Development	5.000%	166,991	-	166,991	-	-
91-03	Rural Development	5.750%	202,835	-	202,835	-	-
91-04	Rural Development	6.625%	1,290,891	-	22,844	1,268,047	24,400
91-05	Rural Development	5.750%	121,043	-	121,043	-	-
91-06	Rural Development	4.250%	3,427,506	-	42,648	3,384,858	44,491
44972	The Savings Bank	5.290%	680,019	-	17,931	662,088	19,012
44973	The Savings Bank	5.290%	425,736	-	11,098	414,638	11,768
4996	OWDA	0.000%	-	2,063,176	-	2,063,176	68,773
	Rotary Loan	0.000%	-	821,966	-	821,966	-
			<u>\$ 6,342,262</u>	<u>\$ 2,885,142</u>	<u>\$ 612,631</u>	<u>\$ 8,614,773</u>	<u>\$ 168,444</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 and OWDA are long-term loans. Principal and interest payments for Rural Development debt are due on the 1st day of each month. Principal and interest payments for Savings Bank are due on the 20<sup>th</sup> day of each month. Principal and interest payments for OWDA are due on June 1 and December 1. 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			OWDA		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 30,780	\$ 56,220	\$ 87,000	\$ 68,891	\$ 226,273	\$ 295,164	\$ 68,773	\$ -	\$ 68,773
2010	32,448	54,551	86,999	72,486	222,678	295,164	68,773	-	\$ 68,773
2011	34,207	52,793	87,000	76,278	218,886	295,164	68,773	-	\$ 68,773
2012	36,061	50,938	86,999	80,279	214,885	295,164	68,773	-	\$ 68,773
2013	38,016	48,984	87,000	84,501	210,663	295,164	68,773	-	\$ 68,773
2014-2018	223,313	211,684	434,997	494,500	981,320	1,475,820	343,865	-	\$ 343,865
2019-2023	290,759	144,238	434,997	641,539	834,281	1,475,820	343,865	-	\$ 343,865
2024-2028	378,576	56,422	434,998	835,139	640,681	1,475,820	343,865	-	\$ 343,865
2029-2033	12,566	87	12,653	852,874	400,180	1,253,054	343,865	-	\$ 343,865
2034-2038	-	-	-	700,651	236,789	937,440	343,851	-	\$ 343,851
2039-2043	-	-	-	745,767	72,636	818,403	-	-	\$ -
Totals	<u>\$ 1,076,726</u>	<u>\$ 675,917</u>	<u>\$ 1,752,643</u>	<u>\$ 4,652,905</u>	<u>\$ 4,259,272</u>	<u>\$ 8,912,177</u>	<u>\$ 2,063,176</u>	<u>\$ -</u>	<u>\$ 2,063,176</u>

In connection with the Rural Development Bonds, Savings Bank Loans and OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these bonds and loans is \$13,071,847. For the current year, net revenue available, principal and interest paid and the coverage ratio is as follows: \$763,274, \$928,501, .82.

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

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

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, 2008.

**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. Bankers 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.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

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, 2008 \$250,000 of the District’s bank balances of \$1,729,166 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 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended December 31, 2008 was as follows:

	Ending Balance 12/31/07	Additions	Deletions	Ending Balance 12/31/08
<b>Capital Assets, Not Being Depreciated</b>				
Land and Land Easements	\$ 457,094	\$ 154,250	\$ -	\$ 611,344
Construction in Progress	288,326	268,154	(750)	\$ 555,730
<b>Total Capital Assets, Not Being Depreciated</b>	745,420	422,404	(750)	1,167,074
<b>Capital Assets Being Depreciated</b>				
Buildings & Bond Issue Costs	1,042,845	41,003	-	1,083,848
Treatment Facilities	2,713,506	1,106,690	-	3,820,196
Transmission & Storage & Collection	13,833,326	1,717,602	-	15,550,928
Vehicles	236,400	63,515	(42,139)	257,776
Furniture and Equipment	510,338	6,990	(11,819)	505,509
<b>Total Capital Assets, Being Depreciated</b>	18,336,415	2,935,800	(53,958)	21,218,257
<b>Less Accumulated Depreciation:</b>				
Buildings & Bond Issue Costs	(290,913)	(34,429)	-	(325,342)
Treatment Facilities	(1,251,136)	(105,365)	-	(1,356,501)
Transmission & Storage & Collection	(2,467,233)	(323,503)	-	(2,790,736)
Vehicles	(184,421)	(31,934)	33,488	(182,867)
Furniture and Equipment	(277,245)	(42,901)	11,819	(308,327)
<b>Total Accumulated Depreciation</b>	<u>(4,470,948)</u>	<u>(538,132)</u>	<u>45,307</u>	<u>(4,963,773)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>13,865,467</u>	<u>2,397,668</u>	<u>(8,651)</u>	<u>16,254,484</u>
<b>Total Capital Assets, Net</b>	<u>\$ 14,610,887</u>	<u>\$ 2,820,072</u>	<u>\$ (9,401)</u>	<u>\$ 17,421,558</u>

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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**NOTE 6 - DEFINED BENEFIT RETIREMENT PLAN**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – 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 the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits and annual cost-of-living adjustments to members of 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 in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, 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 2008 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The 2008 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2008 was 17.40%.

Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

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

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional 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. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2008, state and local employers

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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**NOTE 7 - POSTEMPLOYMENT BENEFITS - Continued**

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2007.

Funding Method - An individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return - The investment assumption rate for 2007 was 6.50%.

Active Employee Total Payroll - An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care - Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 4% for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

1. The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active participants for both plans used in the December 31, 2007, actuarial valuation was 364,076.
2. The employer contributions that were used to fund post employment benefits were \$41,227 for 2008 and \$34,869 for 2007.
3. The amount of \$12.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2007.
4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$29.8 billion and \$17.0 billion, respectively.

OPERS Retirement Board adopts it's Health Care Preservation Plan.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

**NOTE 8 - ACCOUNTS RECEIVABLE**

Following are accounts receivable balances presented by aging classifications as of December 31, 2008:

	<u>2008</u>
Current receivables (0-30 days)	\$ 237,833
Delinquent receivables (31-60 days)	16,523
Delinquent receivables (over 60 days)	<u>34,902</u>
Total accounts receivables	<u><u>\$ 289,258</u></u>

As of December 31, 2008, the District had miscellaneous receivables totaling \$166.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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**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 2008, the District contracted with Rinehart-Walters-Danner & Associates and the Ohio Plan for liability, property, and related insurance.

Coverage's provided by the program 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	\$8,122,775
Inland Marine	\$141,333
Electronic Media	\$176,957
Faithful Performance & Employee Bond	\$400,000

There have been no claims that exceed commercial insurance coverage during the past three years. Anthem provided health insurance January and February 2008 then, Medical Mutual of Ohio from March to December 2008.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

**NOTE 10 - OHIO REVISED CODE 5705 COMPLIANCE**

Budgetary activity for the years ended December 31, 2008 follows:

Budgeted vs. Actual Receipts

	<u>2008</u>
Budgeted Receipts	\$ 6,156,576
Actual Receipts	<u>4,632,630</u>
Variance	<u>\$ (1,523,946)</u>

Budgeted vs. Actual Budgetary Basis Expenditures

	<u>2008</u>
Appropriation Authority	\$ 6,567,000
Budgetary Expenditures	<u>4,736,616</u>
Variance	<u>\$ 1,830,384</u>

**NOTE 11 - PENDING LITIGATION**

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

There was no material litigation pending or outstanding as of December 31, 2008 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 2008.

**Earnhart Hill Regional Water and Sewer District**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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**NOTE 13 – ASSESSMENTS RECEIVABLE**

The details for the fiscal year ended December 31, 2008 are as follows:

	<b>Total</b>	<b>Collected</b>		
	<b>Assessment</b>	<b>From</b>	<b>Ending</b>	<b>Percent</b>
		<b>Prepays and</b>	<b>Receivable</b>	<b>Collected</b>
		<b>Auditor</b>	<b>Balance</b>	
Planning assessments	\$ 609,222	\$ 609,222	\$ -	100.0%
Construction assessments	2,074,547	795,223	1,279,324	38.3%

Assessment receivable balances at April 30, 2008 include deferred agricultural property assessments of \$851,715 for construction. These amounts are recorded as deferred revenue 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.

***Perry & Associates***  
**Certified Public Accountants, A.C.**

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

May 26, 2009

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the **Earnhart Hill Regional Water and Sewer District, Pickaway County, Ohio** (the District), as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Earnhart Hill Regional Water and Sewer District  
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Independent Accountants' Report on Internal Control Over  
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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's basic 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, providing an opinion 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*.

We intend this report solely for the information and use of management and District Trustees. It is not intended for anyone other than these specified parties.

Respectfully Submitted

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

**Perry & Associates**  
Certified Public Accountants, A.C.



Mary Taylor, CPA  
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  
JUNE 23, 2009