



**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Rocky River Wastewater Treatment Plant
Cuyahoga County
21012 Hilliard Boulevard
Rocky River, Ohio 44116

To the Management Board:

We have audited the accompanying basic financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Plant'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 financial position of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, as of December 31, 2005, and the changes in its financial position and its cash flows for the year 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 June 22, 2006, on our consideration of the Plant'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 and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires 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 them.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2006

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited)

For The Year Ended December 31, 2005

The annual financial report of the Rocky River Wastewater Treatment Plant (the "Plant") consists of two sections – Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. Since the Plant only uses one fund for its operation, the entity wide and the fund presentation information is the same.

The Management's Discussion and Analysis of the financial performance provides an overall review of the Plant's financial activities for the year ended December 31, 2005. The intent of this section is to look at the Plant's financial performance as a whole; readers should also review the Basic Financial Statements to enhance their understanding of the Plant's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Total cash and cash equivalents decreased \$924,605, which represents a 12.88 percent decrease from 2004.
- Total expenses were \$4,556,727, a \$236,965 increase from 2004.
- Outstanding debt decreased by \$278,351.

Using this Annual Financial Report

Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets answer the question "How did the Plant do financially during 2005?" These Statements present all assets and liabilities both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private – sector companies. The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

The following summary presents the Plant's Net Assets; however, in evaluating the overall position of the Plant, non-financial information such as the condition of the Plant's Capital Assets should also be analyzed.

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2005

Table 1 provides a summary of the Plant's Net Assets for 2005 compared to 2004.

Table 1
Net Assets

	<u>2005</u>	<u>2004</u>
Assets		
Current and Other Assets	\$ 6,454,955	\$ 7,242,651
Capital Assets, Net	<u>29,648,455</u>	<u>30,500,686</u>
Total Assets	<u>36,103,410</u>	<u>37,743,337</u>
Liabilities		
Current Liabilities	861,383	760,159
Noncurrent Liabilities	<u>10,263,513</u>	<u>10,534,233</u>
Total Liabilities	<u>11,124,896</u>	<u>11,294,392</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	19,318,667	19,892,547
Unrestricted	<u>5,659,847</u>	<u>6,556,398</u>
Total Net Assets	<u>\$ 24,978,514</u>	<u>\$ 26,448,945</u>

The Plant's total Net Assets decreased from a year ago. There was a decrease of \$1,470,431 from \$26,448,945 to \$24,978,514.

The decrease in Net Assets was most significantly impacted by the change in Assets. Capital Assets decreased by \$852,231 mainly due to depreciation on Plant Capital Assets. There were no significant capital asset additions to offset the impact of depreciation expenses. A decrease in cash and cash equivalents of \$924,605 also contributed to the overall decrease.

The total liabilities decrease was mainly due to the payment made for the OWDA loan.

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2005

Table 2 shows the changes in Net Assets for the year ended December 31, 2005 as well as revenue and expense comparisons for 2004.

Table 2
Revenues and Expenses

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Charges for Services	\$ 2,810,872	\$ 4,027,301
Other	1,819	14,525
Non-Operating Revenues		
Interest	<u>273,605</u>	<u>91,231</u>
 Total Revenues	 <u>3,086,296</u>	 <u>4,133,057</u>
 Operating Expenses		
Personal Services	1,255,401	1,110,579
Contractual Services	403,704	163,711
Materials and Supplies	358,027	325,561
Heat, Light and Power	636,978	602,595
Landfill	114,207	74,332
Depreciation	1,214,471	1,212,568
Non-Operating Expenses		
Loss on Sale of Capital Assets	1,921	-
Interest and Fiscal Charges	<u>572,018</u>	<u>830,416</u>
 Total Expenses	 <u>4,556,727</u>	 <u>4,319,762</u>
 Decrease in Net Assets	 (1,470,431)	 (186,705)
 Net Assets Beginning of Year	 <u>26,448,945</u>	 <u>26,635,650</u>
 Net Assets End of Year	 \$ <u><u>24,978,514</u></u>	 \$ <u><u>26,448,945</u></u>

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2005

Analysis of Overall Financial Position and Results of Operations

The primary reason for the difference between 2005 and 2004 change in net assets was primarily due to a decrease in charges for services.

Budgeting Highlights

Although not required under the Ohio Revised Code, an annual operating budget is adopted for management purposes. Budget information is reported to the Management Board, and modifications may only be made by resolution of the Management Board.

During 2005, the Plant made amendments to the budgeted revenues. The original budgeted revenues were \$5,057,552 and the final budgeted revenues were \$5,072,552. The original appropriations and final appropriations were \$6,313,473.

Capital Assets

Table 3 provides a summary of the Plant's capital assets for 2005 compared to 2004.

Table 3
Capital Assets

	<u>2005</u>	<u>2004</u>
Construction in Progress	\$ 101,995	\$ 23,785
Treatment Plant	29,521,750	30,441,967
Equipment and Vehicles	<u>24,710</u>	<u>34,934</u>
Totals	\$ <u>29,648,455</u>	\$ <u>30,500,686</u>

Capital assets decreased by \$852,231 due to depreciation expense of \$1,214,471 and capital asset disposals of \$11,054 offset by \$373,294 in capital asset additions. For more information on capital assets, see note 7.

Debt

The Plant's debt consists of a 25-year Ohio Water Development Authority (OWDA) loan with an interest rate of 5.50 percent. The balance of the outstanding amount of the loan at December 31, 2005 is \$10,329,788. The Plant has no bonded indebtedness. See note 8 for additional information on debt.

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited) (continued)

For The Year Ended December 31, 2005

Current Financial Related Activities

While there were no significant capital projects in 2005, planning and design for a tracking filter project began. The project is to continue compliance with discharge regulations.

Contacting the Plant Finance Department

This annual financial report is designed to provide customers, taxpayers, creditors and investors with a general overview of the Plant's finances and to show the Plant's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information, contact the Director of Finance, City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116, telephone 440-331-0600, who serves as fiscal agent of the plant.

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Rocky River Wastewater Treatment Plant

Statement of Net Assets Proprietary Funds December 31, 2005

Assets:

Current Assets:

Cash and Cash Equivalents	\$	6,253,448
Accrued Interest Receivable		166,942
Materials and Supplies Inventory		<u>34,565</u>
Total Current Assets		<u>6,454,955</u>

Noncurrent Assets:

Capital Assets:

Construction in Progress		101,995
Treatment Plant		48,237,592
Equipment		220,128
Vehicles		60,804
Less: Accumulated Depreciation		<u>(18,972,064)</u>

Total Non-Current Assets 29,648,455

Total Assets 36,103,410

Liabilities:

Current Liabilities:

Accounts Payable		187,817
Accrued Wages and Benefits		32,005
Intergovernmental Payable		37,198
Compensated Absences Payable		26,422
Accrued Interest Payable		284,069
OWDA Loans Payable		<u>293,872</u>

Total Current Liabilities 861,383

Noncurrent Liabilities:

Compensated Absences Payable (Net of Current Portion)		227,597
OWDA Loans Payable (Net of Current Portion)		<u>10,035,916</u>

Total Noncurrent Liabilities 10,263,513

Total Liabilities 11,124,896

Net Assets:

Invested in Capital Assets, Net of Related Debt		19,318,667
Unrestricted		<u>5,659,847</u>

Total Net Assets \$ 24,978,514

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds For the year ended December 31, 2005

Operating Revenues:	
Charges for Services	\$ 2,810,872
Other Revenues	<u>1,819</u>
Total Operating Revenues	<u>2,812,691</u>
Operating Expenses:	
Personal Services	1,255,401
Contractual Services	403,704
Materials and Supplies	358,027
Heat, Light and Power	636,978
Landfill	114,207
Depreciation	<u>1,214,471</u>
Total Operating Expenses	<u>3,982,788</u>
Operating Loss	<u>(1,170,097)</u>
Non-Operating Revenues and (Expenses):	
Interest Revenue	273,605
Loss on Sale of Capital Assets	(1,921)
Interest and Fiscal Charges	<u>(572,018)</u>
Total Non-Operating Revenues (Expenses)	<u>(300,334)</u>
Change in Net Assets	(1,470,431)
Net Assets at Beginning of Year	<u>26,448,945</u>
Net Assets at End of Year	\$ <u><u>24,978,514</u></u>

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Cash Flows

Proprietary Funds

For the year ended December 31, 2005

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$	2,810,872
Cash Received from Other Operating Sources		1,819
Cash Payments to Suppliers for Goods and Services		(1,420,790)
Cash Payments for Employee Services and Benefits		<u>(1,230,254)</u>

Cash Provided by Operating Activities		<u>161,647</u>
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Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets		(364,161)
Principal Paid on OWDA Loan		(278,351)
Interest Paid on OWDA Loan		<u>(579,673)</u>

Net Cash Used for Capital and Related Financing Activities		<u>(1,222,185)</u>
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Cash Flows from Investing Activities:

Interest Received		<u>135,933</u>
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Net Decrease in Cash and Cash Equivalents		(924,605)
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Cash and Cash Equivalents, Beginning of Year		<u>7,178,053</u>
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Cash and Cash Equivalents, End of Year	\$	<u><u>6,253,448</u></u>
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(Continued)

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Cash Flows (Continued)

Proprietary Funds

For the year ended December 31, 2005

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:

Operating Loss	\$	(1,170,097)
Adjustments:		
Depreciation		1,214,471
Changes in Assets/Liabilities:		
Decrease in Inventory		763
Increase in Accounts Payable		83,460
Increase in Accrued Wages and Benefits		3,919
Increase in Compensated Absences		21,038
Decrease in Retainage Payable		(7,797)
Increase in Intergovernmental Payable		<u>15,890</u>
Net Cash Provided by Operating Activities:	\$	<u><u>161,647</u></u>

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements

For The Year Ended December 31, 2005

Note 1: Description of the Plant and Reporting Entity

The Rocky River Wastewater Treatment Plant (the "Plant") is a joint venture among the cities of Rocky River, Bay Village, Fairview Park and Westlake. The Plant is organized pursuant to Ohio Revised Code Section 167.01. The Plant is a stand-alone government which is governed by a Management Board consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the Management Board. The Board has complete authority over all aspects of the Plant's operation. The Plant supplies all participating residents of the member cities with sanitary sewer services. Each member city owns the sewage lines located in its city and bills the residents for usage.

The reporting entity is comprised of the stand-alone government (the Plant), component units and other organizations that are included to ensure that the financial statements of the Plant are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from the Plant.

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

The Plant charges each member city for sanitary sewage treatment services provided to the cities' residents in accordance with the joint venture agreement dated July 27, 1982, as amended. Such charges are allocated based upon each city's relative treatment plant usage as determined by periodic independent flow and strength studies. The charges are based on the study done in December 2000. The continued existence of the Plant is dependent upon the participation of each member city; each member city has an equity interest in the Plant. The following are the member cities' equity interests at December 31, 2005.

	<u>2005</u>
Bay Village	13.06%
Fairview Park	18.41
Rocky River	28.35
Westlake	<u>40.18</u>
Total	<u>100.00%</u>

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Politics

The financial statements of the Plant have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Plant also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Plant has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The most significant of the Plant's accounting policies are described below.

A. Basis of Presentation

The Plant's Basic Financial Statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Plant uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Plant are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Plant finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Plant's financial statements are prepared using the accrual basis of accounting.

On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Plant receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Politics (continued)

D. Cash and Cash Equivalents

Cash balances are managed by the Director of Finance of the City of Rocky River, the Plant's fiscal agent, in separate bank accounts or used to purchase short term investments. The balances in these accounts are presented on the Statement of Net Assets as "Cash and Cash Equivalents" and represent deposits. During 2005, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with an initial maturity of three months or less are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies.

F. Capital Assets

Capital assets utilized by the Plant are reported on the Statement of Net Assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Plant maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All Capital Assets are depreciated. Improvements are depreciated over the remaining useful lives of the related Capital Assets. Depreciation is computed using the straight-line method over the following useful lives:

Treatment Plant	40 years
Equipment	5 years
Vehicles	5 years

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Politics (continued)

G. Capitalization of Interest

The Plant may capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. In 2005, the Plant did not capitalize interest.

H. 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 Plant will compensate the employees for the benefits through paid time off or some other means. The Plant records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service. Accrued vacation is paid to employees as paid time off or at the time of termination.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Plant has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the Plant's termination policy. The Plant records a liability for accumulated unused sick leave for employees after two years of current service with the Plant.

Employees earn sick leave at the rate of 2.3 hours for every forty hours worked. Sick leave accumulation is limited to 960 hours. Plant employees with two or more years of service are paid for their accumulated sick leave upon termination or retirement.

I. Budgetary Accounting

Although not required under the Ohio Revised Code, an annual operating budget, which lapses as of the end of the year, is adopted for management purposes. The budget is adopted on a budgetary accounting basis in which purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures (encumbrances). Budgetary control is exercised at the fund and object level. Budget information is reported to the Management Board.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Politics (continued)

J. Net Assets (continued)

as restricted when there are limitations imposed on their use either by policy adopted by the Management Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Plant applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Plant did not have any restricted net assets as of December 31, 2005.

K. Operating Revenues and Expenses

Operating Revenues are those revenues that are generated directly from primary activities. For the Plant, these revenues are Charges for Services and other reimbursements. Operating Expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Plant. Revenues and expenses which do not meet these definitions are reported as Non-Operating Revenues or Expenses.

L. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Reclassifications

Reclassifications have been made to the 2004 financial statements in order to conform to the 2005 presentations. Investment in a mutual fund was reclassified to cash and cash equivalents at December 31, 2004.

Note 3: Deposits and Investments

Since the Plant's money is managed by the Director of Finance of the City of Rocky River, the Plant's fiscal agent, the Plant follows the investment guidelines set forth by the City Charter of the City of Rocky River.

State statutes classify monies held by the Plant into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 monies 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.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 3: Deposits and Investments (continued)

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury 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;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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 Plant, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Plant's deposits may not be returned to it. Protection of the Plant's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 3: Deposits and Investments (continued)

Deposits (continued)

depository receiving deposits pursuant to an award of Plant funds shall be required to pledge security for repayment of all public moneys.

At year-end, the carrying amount of the Plant's deposits was \$6,253,448 and the bank balance was \$6,479,445. Of the bank balance \$500,000 was covered by Federal depository insurance and \$5,979,445 was uninsured. Of the remaining bank balance, \$603,461 was collateralized with securities held by the pledging institution's agent in the Plant's name and \$5,375,984 was collateralized with securities held by the pledging institution's trust department, not in the Plant's name.

Investments

Investments are reported at fair value. As of December 31, 2005, the Plant had no investments.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Plant's investment policy addresses interest rate risk requiring that the Plant's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The Plant investment policy also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than five years.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plant will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Plant must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the Plant's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Plant's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

Note 4: Receivables

Receivables at December 31, 2005, consist of accrued interest.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 5: Risk Management

The Plant carries \$1,000,000 of comprehensive general liability coverage as well as certain coverage for the Plant's property losses.

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Note 6: Contingent Liabilities

The Plant is a party to legal proceedings seeking damages. The Plant management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Plant.

Note 7: Capital Assets

Capital Asset activity for the year ended December 31, 2005 was as follows:

	Balance 12/31/04	Additions	Disposals	Balance 12/31/05
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 23,785	\$ 87,343	\$ (9,133)	\$ 101,995
Capital Assets, being Depreciated:				
Treatment Plant	47,958,253	279,339	-	48,237,592
Equipment	216,016	6,612	(2,500)	220,128
Vehicles	60,804	-	-	60,804
Total Capital Assets, being Depreciated	48,235,073	285,951	(2,500)	48,518,524
Less Accumulated Depreciation:				
Treatment Plant	(17,516,286)	(1,199,556)	-	(18,715,842)
Equipment	(181,082)	(14,915)	579	(195,418)
Vehicles	(60,804)	-	-	(60,804)
Total Accumulated Depreciation	(17,758,172)	(1,214,471)	579	(18,972,064)
Total Capital Assets, being Depreciated, Net	30,476,901	(928,520)	(1,921)	\$ 29,546,460
Total Capital Assets, Net	\$ 30,500,686	\$ (841,177)	\$ (11,054)	\$ 29,648,455

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 8: Long-Term Obligations

The changes in the Plant's long-term obligations during the year consist of the following:

	<u>Outstanding</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>12/31/05</u>	<u>Amounts Due</u> <u>in One Year</u>
2000 5.50% \$11,344,496					
OWDA Loan – Matures 7/1/25	\$ 10,608,139	\$ -	\$ (278,351)	\$ 10,329,788	\$ 293,872
Compensated Absences Payable	<u>232,981</u>	<u>107,501</u>	<u>(86,463)</u>	<u>254,019</u>	<u>26,422</u>
Total	\$ <u>10,841,120</u>	\$ <u>107,501</u>	\$ <u>(364,814)</u>	\$ <u>10,583,807</u>	\$ <u>320,294</u>

Principal and interest requirements to retire the OWDA loan outstanding at December 31, 2005, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 293,872	\$ 564,152	\$ 858,024
2007	310,255	547,765	858,020
2008	327,555	530,469	858,024
2009	345,819	512,205	858,024
2010	365,100	492,924	858,024
2011-2015	2,154,518	2,135,604	4,290,122
2016-2020	2,825,976	1,464,142	4,290,118
2021-2025	<u>3,706,693</u>	<u>583,423</u>	<u>4,290,116</u>
Total	\$ <u>10,329,788</u>	\$ <u>6,830,684</u>	\$ <u>17,160,472</u>

Note 9: Related Party Transactions

Since the continued existence of the Plant is dependent upon the participation of each member city, all transactions between the Plant and each member city are considered related party transactions. The Plant's transactions during 2005 involving the four member cities, are summarized as follows:

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 9: Related Party Transactions (continued)

A. Charges for Services and Contributions for Capital Assets Replacement Fund

Charges for services revenue for 2005 consists of amounts charged to the member cities for sanitary sewage treatment services provided to the cities residents and contributions to the Plant for plant and equipment replacement, as mandated by the EPA, as follows:

	Charges for <u>Services</u>	<u>Contributions</u>
Bay Village	\$ 309,428	\$ 52,240
Fairview Park	556,287	73,640
Rocky River	593,181	113,400
Westlake	<u>951,976</u>	<u>160,720</u>
Total	\$ <u>2,410,872</u>	\$ <u>400,000</u>

B. Lease of Land

The Plant was constructed on land leased from the City of Rocky River. An annual lease payment of \$47,500 is due to the City for as long as the joint venture agreement remains in effect.

Note 10: Ohio Public Employees Retirement System

The Plant participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 10: Pension Plans (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.50 percent of their annual covered salary to fund pension obligations. The Plant contributed 13.55 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees and 9.55 percent was used to fund pension benefits. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Plant's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$88,580, \$86,519, and \$76,132, respectively, 96.51 percent has been contributed for 2005 and 100 percent for 2004 and 2003. The full amount has been contributed for all three years. Contributions to the member-directed plan for 2005 were \$1,762 made by the Plant and \$1,105 made by the plan members.

Note 11: Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional 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, survivor and post-retirement 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-retirement 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 recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered 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-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was the portion that was used to fund health care.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2005

Note 11: Ohio Public Employees Retirement System Postemployment Benefits (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The Plant's actual contributions for 2005, which were used to fund postemployment benefits, were \$37,102. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfounded actuarially accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retirement Medical Account that can be used to fund future health care expenses.

Note 12: Contractual Commitments

At December 31, 2005, the Plant's significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
Recycle Pump Replacement	\$ <u>152,705</u>	\$ <u>101,995</u>	\$ <u>50,710</u>

Rocky River Wastewater Treatment Plant
Supplemental Information
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Funds
For The Year Ended December 31, 2005

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 3,914,237	\$ 3,914,237	\$ 2,810,872	\$ (1,103,365)
Other Income	1,057,315	1,057,315	1,819	(1,055,496)
Investment Income	<u>86,000</u>	<u>101,000</u>	<u>135,933</u>	<u>34,933</u>
Total Revenues	<u>5,057,552</u>	<u>5,072,552</u>	<u>2,948,624</u>	<u>(2,123,928)</u>
Expenditures:				
Personal Services	1,306,950	1,306,950	1,230,344	76,606
Contractual Services	725,710	721,210	572,384	148,826
Materials and Supplies	472,897	477,397	365,989	111,408
Heat, Light and Power	737,000	737,000	573,859	163,141
Landfill	140,163	140,163	101,562	38,601
Capital Outlay	2,071,728	2,071,728	1,421,203	650,525
Debt Service:				
Principal Retirement	278,352	278,352	278,351	1
Interest and Fiscal Charges	<u>580,673</u>	<u>580,673</u>	<u>579,673</u>	<u>1,000</u>
Total Expenditures	<u>6,313,473</u>	<u>6,313,473</u>	<u>5,123,365</u>	<u>1,190,108</u>
Net Change in Fund Balance	(1,255,921)	(1,240,921)	(2,174,741)	(933,820)
Fund Balance at Beginning of Year	6,684,949	6,684,949	6,684,949	-
Prior Year Encumbrances Appropriated	<u>493,104</u>	<u>493,104</u>	<u>493,104</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>5,922,132</u>	\$ <u>5,937,132</u>	\$ <u>5,003,312</u>	\$ <u>(933,820)</u>

The following table summarized the adjustments necessary to reconcile the changes in net assets to the excess of revenues under expenses.

Change in Net Assets	\$ (1,470,431)
Net Adjustments for Revenue Accruals	(537,672)
Net Adjustments for Expense Accruals	890,230
Depreciation Expense	1,214,471
Capital Outlay	(1,421,203)
Capital Contributions	400,000
Encumbrances	<u>(1,250,136)</u>
Excess of Revenue under Expenses	\$ <u>(2,174,741)</u>

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**Auditor of State
Betty Montgomery**

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

Rocky River Wastewater Treatment Plant
Cuyahoga County
21012 Hilliard Boulevard
Rocky River, Ohio 44116

To the Management Board:

We have audited the basic financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 22, 2006. 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 Plant's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Plant'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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001.

Rocky River Wastewater Treatment Plant
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2006

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number	2005- 001
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Proper Encumbering

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Plant can authorize the drawing of a warrant for the payment of the amount due. The Plant has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Plant.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Plant may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005- 001
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Proper Encumbering (Continued)

The Plant often purchases supplies throughout the year from certain vendors. When a City ordinance is passed authorizing the Plant to purchase materials from certain vendors not exceeding a certain dollar amount, the City Finance Director enters the purchase order into the system. The purchase order is meant to be a blanket purchase order for the particular vendor. However, when the purchase order is opened, it is only encumbered for \$1, and never updated to reflect a total encumbrance amount per the corresponding ordinance. Several purchases are made against the purchase order throughout the year. Each time a purchase is made, a new purchase order document is created with the same purchase order number that is in the system and an additional encumbrance is posted to the related account, but a different encumbrance date is used (based on when the purchase is made). If the purchase order is truly a blanket purchase order, the same purchase order number could be used (provided that the amount encumbered per the blanket purchase order is the "not to exceed" amount approved by Council ordinance), but the date on the purchase order should read the date it was entered into the system, not the date it was "created" by the fiscal agent.

For our testing purposes, we utilized the actual date on the purchase order attached to the voucher package to determine compliance with 5705.41(D)(1), because the Plant was not encumbering the "not to exceed" amount as approved by Council ordinance and creating a blanket purchase order when the purchase order is entered into the system. We noted fifteen out of sixty instances (25%) in which the certification was prepared after the purchase, based on the date utilized on the purchase order attached to the voucher package. Further, a "then and now" certificate was not issued for any of these disbursements.

We recommend the Plant properly certify the availability of funds for any orders or contracts involving the expenditure of money to ensure compliance with this requirement. This should involve encumbering the "not to exceed" amount as approved by Council ordinance rather than creating an encumbrance for \$1. Where prior certification is not feasible, we encourage the Plant to utilize then and now certificates or blanket certificates. In addition, we recommend the Plant Management Board establish a blanket purchase order policy. This policy should include the maximum amount for which blanket purchase orders may be issued, and specify that the blanket purchase orders can not extend beyond the fiscal year end and more than one blanket purchase order may not be outstanding for a particular line item appropriation.

Official's Response:

The Rocky River Wastewater Treatment Plant Management Committee respectfully submits that its Fiscal Officer acted under the authority of City of Rocky River Ordinance Nos. 78-04, 163-04, 33-05, 72-05, 156-04, 157-04, and 159-04. Each ordinance states and certifies an expenditure amount not to be exceeded for each named vendor. The Committee's Fiscal Officer acted pursuant to the authority granted by such ordinances and, at no time, exceeded the amounts appropriated by the ordinances. The ordinances were enacted pursuant to Article I of the Charter of the City of Rocky River, which states that the City of Rocky River shall have all the powers of local self government to be exercised in the following manner: "as prescribed by the Charter, if not prescribed by the Charter, then in such manner as Council may determine, if not prescribed by Charter or determined by Council, then in such manner as may be provided by the General Laws of Ohio." The ordinances named above were properly enacted and were properly certified by the Fiscal Officer, and therefore, the purchases made thereunder for the Rocky River Wastewater Treatment Plant were proper.

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005- 001
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Official's Response: (Continued)

Alternatively, the Rocky River Wastewater Treatment Plant Management Committee respectfully submits that City of Rocky River Ordinance Nos. 78-04, 163-04, 33-05, 72-05, 156-04, 157-04, and 159-04 are in substance blanket certificates as defined in the Auditor of State (AOS) report dated June 22, 2006. The AOS, in its report, states that a blanket certificate must list a certain sum of money not in excess of an amount established by a majority of the members of the legislative authority against any specific line item account. The certificate must cover a period of time not longer than the current fiscal year. The certificate need not be limited to a specific vendor. The ordinances listed above met each of the requirements and were certified by the Fiscal Officer. Thus, the ordinances were, on their faces, blanket certificates.

Should the AOS deem either of these arguments insufficient, the Rocky River Wastewater Treatment Plant Management Committee; its Fiscal Officer and its Special Counsel will conduct a thorough review of the processes utilized in the purchases for the Plant. Such a review will ensure compliance with all applicable law for the future.



**Auditor of State
Betty Montgomery**

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**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA 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
AUGUST 15, 2006**