



Dave Yost • Auditor of State



**ROCKY RIVER WASTEWATER TREATMENT PLANT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Proprietary Fund .....	9
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund.....	10
Statement of Cash Flows – Proprietary Fund.....	11
Notes to the Basic Financial Statements .....	13
Supplemental Information:	
Statement of Revenues, Expenses, and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual – Proprietary Fund .....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Management Committee:

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, 2010, 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, as of December 31, 2010, 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 21, 2011 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the *Schedule of Revenues, Expenses, and Changes in Fund Equity – Budgetary (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

June 21, 2011

# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For The Year Ended December 31, 2010

---

The annual financial report of the Rocky River Wastewater Treatment Plant (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, 2010. 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 2010 are as follows:

- Total cash and cash equivalents decreased \$335,692, which represents a 5.84 percent decrease from 2009.
- Total expenses were \$4,918,622, a \$279,596 decrease from 2009.
- Outstanding debt decreased by \$331,343.

### 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 2010?" 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, 2010

---

Table 1 provides a summary of the Plant's Net Assets for 2010 compared to 2009.

Table 1  
Net Assets

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and Other Assets	\$ 5,710,725	\$ 5,836,041
Capital Assets, Net	<u>30,518,620</u>	<u>31,579,296</u>
Total Assets	<u>36,229,345</u>	<u>37,415,337</u>
<b>Liabilities</b>		
Current Liabilities	1,019,339	1,177,992
Noncurrent Liabilities	<u>11,233,804</u>	<u>11,582,943</u>
Total Liabilities	<u>12,253,143</u>	<u>12,760,935</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	19,087,773	19,817,106
Unrestricted	<u>4,888,429</u>	<u>4,837,296</u>
Total Net Assets	<u>\$ 23,976,202</u>	<u>\$ 24,654,402</u>

The Plant's total Net Assets decreased from a year ago. There was a decrease of \$678,200 from \$24,654,402 to \$23,976,202.

The decrease in Net Assets was primarily due to the decrease in intergovernmental revenues received from Ohio Public Works Commission for Treatment Plant improvements. The Capital Assets component decreased by \$1,060,676 mainly due to depreciation being taken on additions.

The total liabilities decrease was mainly due to the decrease in accounts payable related to the Treatment Plant improvements.



# Rocky River Wastewater Treatment Plant

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

### For The Year Ended December 31, 2010

---

Table 2 shows the changes in Net Assets for the year ended December 31, 2010 as well as revenue and expense comparisons for 2009.

Table 2  
Revenues and Expenses

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 4,182,952	\$ 4,243,888
Other	2,578	2,147
<b>Non-Operating Revenues</b>		
Intergovernmental	28,069	1,077,794
Interest	<u>26,823</u>	<u>54,355</u>
 Total Revenues	 <u>4,240,422</u>	 <u>5,378,184</u>
 <b>Operating Expenses</b>		
Personal Services	1,399,186	1,472,371
Contractual Services	466,197	419,160
Materials and Supplies	414,047	562,631
Heat, Light and Power	610,604	774,021
Landfill	181,438	118,427
Depreciation	1,364,266	1,348,913
<b>Non-Operating Expenses</b>		
Interest and Fiscal Charges	<u>482,884</u>	<u>502,695</u>
 Total Expenses	 <u>4,918,622</u>	 <u>5,198,218</u>
 Increase (Decrease) in Net Assets	 (678,200)	 179,966
 Net Assets Beginning of Year	 <u>24,654,402</u>	 <u>24,474,436</u>
 Net Assets End of Year	 \$ <u><u>23,976,202</u></u>	 \$ <u><u>24,654,402</u></u>

# Rocky River Wastewater Treatment Plant

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

### For The Year Ended December 31, 2010

---

#### Analysis of Overall Financial Position and Results of Operations

The primary reason for the difference between 2010 and 2009 change in net assets was due to a decrease in intergovernmental revenues related to the Ohio Public Works Commission (OPWC) loans and grants.

#### Budgeting Highlights

An annual operating budget for the Plant is adopted for management purposes by the City Council of the City of Rocky River, Ohio, the taxing authority for the Plant. The Plant budget is prepared according to the general laws of the State of Ohio and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Financial information including budget-to-actual comparisons is reported to the Management Committee on a monthly basis. Cash and investments and all capital projects and requests for capital type purchases are budgeted by an annual appropriations ordinance and any supplemental appropriations ordinance(s) as necessary. Recommendations for budget changes from the Plant Superintendent are presented to City Council as a supplemental appropriations ordinance.

During 2010, one supplemental appropriation for \$35,000 was approved to provide additional funds for personnel services. The original budgeted revenues were \$5,889,896 and final budgeted revenues were \$3,556,780. The original appropriations were \$6,496,894 and final appropriations were \$6,531,894.

#### Capital Assets

Table 3 provides a summary of the Plant's capital assets for 2010 compared to 2009.

Table 3  
Capital Assets

	<u>2010</u>	<u>2009</u>
Construction in Progress	\$ 134,577	\$ 2,499,548
Treatment Plant	30,277,326	28,993,091
Equipment and Vehicles	<u>106,717</u>	<u>86,657</u>
Totals	\$ <u>30,518,620</u>	\$ <u>31,579,296</u>

Capital assets decreased by \$1,060,676 due to the increase in depreciation expense. For more information on capital assets, see Note 8.

# Rocky River Wastewater Treatment Plant

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

### For The Year Ended December 31, 2010

---

#### Debt

The Plant's debt consists of a 25-year loan from the Ohio Water Development Authority (OWDA) with an interest rate of 5.50 percent. The balance of the outstanding amount of the loan at December 31, 2010 is \$8,687,188. The Plant has three OPWC loans, each loan has a zero percent interest rate and an estimated term of 20-years. The balance of the outstanding amounts of the loans at December 31, 2010 is \$2,743,659. The Plant has no bonded indebtedness. See Note 9 for additional information on debt.

#### Current Financial Related Activities

In 2010, a project described as WWTP Improvements 2008-2009 was completed. The final funding structure of this project was as follows:

Project Total	OPWC Grant	OPWC Loan	Local Funds
\$2,546,793	\$1,542,416	\$368,524	\$635,853

The project consisted of improvements to the Plant including replacement of four 250 horsepower variable frequency drives and motor control center, rebuilding three motors, replacing controls and upgrading the SCADA system, upgrading the ventilation system, replacing five mechanical bar screens, replacing ten slide gate actuators, replacing a grit classifier and relining 530 feet of a 54 inch pipe.

The Plant floor repair project that received grant funding of \$29,197 through the American Recovery and Reinvestment Act, through the State of Ohio Environmental Protection Agency was complete as of year's end. Local funds from the Member Cities provided the other 50% of the contract cost. The grant was provided through the grant program *Capitalization Grants for Clean Water State Revolving Funds* (CFDA No. 66.458).

Effective January 1, 2010, the Member Cities adopted the adjusted budget allocation percentage amount shown below based on a sewer flow quantity and strength study that was completed in August 2009. Previous allocation amounts are also shown.

Year	Bay Village	Fairview Park	Rocky River	Westlake
2009	16.36	17.87	25.43	40.35
2006	15.43	15.75	29.40	39.42
2005	17.30	15.56	29.53	37.61
2000	13.06	18.41	28.35	40.18
1996	18.84	18.34	26.15	36.67

In May 2010, a Plant operator retired and was replaced in August. Because of a favorable health care claims year, no premium was charged to the Plant in any month of the fourth quarter of the year. Finally, the financial statements present Accounts Receivable from the City of Rocky River in the amount of \$216,150.

# **Rocky River Wastewater Treatment Plant**

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

### **For The Year Ended December 31, 2010**

---

#### **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.

# Rocky River Wastewater Treatment Plant

## Statement of Net Assets Proprietary Fund December 31, 2010

---

### Assets:

#### Current Assets:

Cash and Cash Equivalents	\$	5,416,062
Accounts Receivable		216,150
Accrued Interest Receivable		9,699
Materials and Supplies Inventory		<u>68,814</u>
Total Current Assets		<u>5,710,725</u>

#### Noncurrent Assets:

##### Capital Assets:

Construction in Progress		134,577
Treatment Plant		55,275,911
Equipment		416,653
Vehicles		37,530
Less: Accumulated Depreciation		<u>(25,346,051)</u>

Total Non-Current Assets 30,518,620

Total Assets 36,229,345

### Liabilities:

#### Current Liabilities:

Accounts Payable		159,014
Accrued Wages and Benefits		18,556
Intergovernmental Payable		37,773
Compensated Absences Payable		31,717
Accrued Interest Payable		238,898
OPWC Loans Payable		147,924
OWDA Loans Payable		<u>385,457</u>

Total Current Liabilities 1,019,339

#### Noncurrent Liabilities:

Compensated Absences Payable (Net of Current Portion)		336,338
OPWC Loans Payable (Net of Current Portion)		2,595,735
OWDA Loans Payable (Net of Current Portion)		<u>8,301,731</u>

Total Noncurrent Liabilities 11,233,804

Total Liabilities 12,253,143

#### Net Assets:

Invested in Capital Assets, Net of Related Debt		19,087,773
Unrestricted		<u>4,888,429</u>

Total Net Assets \$ 23,976,202

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 Fund For the year ended December 31, 2010

---

Operating Revenues:	
Charges for Services	\$ 4,182,952
Other Revenues	<u>2,578</u>
Total Operating Revenues	<u>4,185,530</u>
Operating Expenses:	
Personal Services	1,399,186
Contractual Services	466,197
Materials and Supplies	414,047
Heat, Light and Power	610,604
Landfill	181,438
Depreciation	<u>1,364,266</u>
Total Operating Expenses	<u>4,435,738</u>
Operating Loss	<u>(250,208)</u>
Non-Operating Revenues and (Expenses):	
Intergovernmental	28,069
Interest Revenue	26,823
Interest and Fiscal Charges	<u>(482,884)</u>
Total Non-Operating Revenues (Expenses)	<u>(427,992)</u>
Change in Net Assets	(678,200)
Net Assets at Beginning of Year	<u>24,654,402</u>
Net Assets at End of Year	\$ <u><u>23,976,202</u></u>

The accompanying notes are an integral part of these financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Cash Flows

### Proprietary Fund

For the year ended December 31, 2010

---

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$	3,966,802
Cash Received from Other Operating Sources		2,578
Cash Payments to Suppliers for Goods and Services		(1,762,193)
Cash Payments for Employee Services and Benefits		<u>(1,474,376)</u>

Net Cash Provided by Operating Activities 732,811

Cash Flows from Capital and Related Financing Activities:

Proceeds from Capital Debt		163,255
Intergovernmental Capital Grant		29,214
Acquisition of Capital Assets		(303,590)
Principal Paid on OWDA Loan		(365,100)
Principal Paid on OPWC Loan		(129,498)
Interest Paid on OWDA Loan		<u>(492,924)</u>

Net Cash Used for Capital and Related Financing Activities (1,098,643)

Cash Flows from Investing Activities:

Interest Received		<u>30,140</u>
-------------------	--	---------------

Net Decrease in Cash and Cash Equivalents (335,692)

Cash and Cash Equivalents, Beginning of Year 5,751,754

Cash and Cash Equivalents, End of Year \$ 5,416,062

(Continued)

The accompanying notes are an integral part of these financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Cash Flows (Continued)

### Proprietary Fund

For the year ended December 31, 2010

---

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

Operating Loss	\$	(250,208)
Adjustments:		
Depreciation		1,364,266
Changes in Assets/Liabilities:		
Increase in Accounts Receivable		(216,150)
Decrease in Inventory		1,312
Increase in Accounts Payable		6,091
Decrease in Accrued Wages and Benefits		(39,776)
Decrease in Matured Compensated Absences Payable		(25,067)
Increase in Compensated Absences		18,379
Decrease in Retainage Payable		(97,360)
Decrease in Intergovernmental Payable		<u>(28,676)</u>
Net Cash Provided by Operating Activities:	\$	<u>732,811</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, 2010

---

#### **Note 1: Description of the Plant and Reporting Entity**

The Rocky River Wastewater Treatment Plant (Plant) was organized by the Ohio municipal corporations of the City of Bay Village, the City of Fairview Park, the City of Rocky River and the City of Westlake (Member Cities) upon authority conferred by Article XVIII of the Ohio Constitution and by Ohio Revised Code Section 715.02 which provides, in part that, “two or more municipal corporations ... may enter into an agreement for the joint construction or management, or construction and management, of any public work, utility, or improvement, benefiting each municipal corporation...”

The original organizing agreement among the Member Cities was adopted in 1982 and as been subsequently amended by mutual agreement of the Member Cities. Also, the Member Cities adopted Operating By-Laws in July 1982.

The Plant has a Management Committee consisting of the Mayor of each Member City or his/her designee and a fifth member who is appointed by the four Mayors. The Management Committee serves without compensation, except for the fifth member whose compensation is fixed by the Mayors.

The Plant is managed by the City of Rocky River with a report of operational activities made to the Management Committee annually. Personnel at the Plant are employees of the City of Rocky River. Pursuant to the organizing agreement (and amendments), the Plant is jointly owned by the Member Cities with each Member City’s share being in proportion to its contribution to the total cost of constructing certain improvements. The Plant is a joint venture in which each Member City has an equity interest. Also, each Member City owns the sanitary sewer lines located in its city and bills residents for wastewater collection services.

The Plant is located at 22303 Lake Road in Rocky River, Ohio on land owned by that Member City. The Plant supplies all participating residents of the Member Cities, with a combined population of approximately 86,000, with wastewater treatment services. The Plant is a secondary wastewater treatment plant with a dry weather capacity of 22.5 million gallons per day (MGD) and can provide complete primary and secondary treatment for 45 MGD, and primary treatment only for flows up to 128 MGD. The Plant facility was originally built in 1961 (primary treatment) with a major expansion completed in 1985 (addition of secondary biological treatment process required by the 1972 Clean Water Act) and further expanded with a major upgrade to increase primary treatment in 2000. The Plant has a staff of 19 people, 18 of which have State of Ohio Environmental Protection Agency license certifications ranging from Class I through Class IV. All amounts shown in the table below are million gallons.

<u>Year</u>	<u>Average Daily Flow</u>	<u>Largest Flow in 24 Hour Period</u>	<u>Peak Influent Flow Rate</u>	<u>Total Wastewater Treated</u>
2010	12.03	46.95	82.3	4,392
2009	12.10	52.87	118.7	4,417
2008	13.74	78.34	136.2	5,030
2007	12.94	58.43	139.1	4,730
2006	11.51	68.70	127.5	4,195

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 1: Description of the Plant and Reporting Entity (continued)

The Plant is authorized to discharge according to National Pollutant Discharge Elimination System (NPDES) Permit No. 3PE00009 \* JD issued by the State of Ohio Environmental Protection Agency on June 30, 2005 with an effective date of August 1, 2005 and expired on July 31, 2010. See Note 14 for additional information regarding permit renewal. The discharge permit establishes certain limits for the quality of water that is discharged from the Plant.

The reporting entity is comprised of the Plant, component units and other organizations that may be included to ensure that the financial statements of the Plant are not misleading. The primary government consists of all funds, 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.

Component units may also include organizations for which the Plant approves the budget, the issuance of debt, or the levying of taxes. The Plant has no component units.

The Plant charges each Member City for wastewater treatment services in accordance with the 1982 organizing agreement, as amended. Such charges are allocated based upon each Member City's relative treatment plant usage as determined by a periodic flow quantity and strength study. The following percentages represent the Member City's allocation of Plant expenditures at December 31, 2010.

Bay Village	16.355 %
Fairview Park	17.865
Rocky River	25.430
Westlake	<u>40.350</u>
Total	<u>100.000 %</u>

The flow quantity and strength study that established the above listed rates was completed in August 2009. The continued existence of the Plant is dependent upon the participation of each Member City.

#### Note 2: Summary of Significant Accounting Policies

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 standards. The Plant has elected not to apply FASB statements and interpretations issued after November 30, 1989. The most significant of the Plant's accounting policies are described below.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### **A. Basis of Presentation**

The Plant's Basic Financial Statements consist of a Statement of Net Assets, a Statement of Revenues, 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 Plant's 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.

##### **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 and may be 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 2010, investments were limited to nonnegotiable certificates of deposit and STAROhio which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2010.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### *D. Cash and Cash Equivalents (continued)*

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, materials and treatment chemicals.

##### *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

##### *G. Capitalization of Interest*

The Plant will 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. For 2010, the Plant did not capitalize interest.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 2: Summary of Significant Accounting Policies (continued)

##### *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. 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 as restricted when there are limitations imposed on their use either by policy adopted by the Management Committee 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, 2010.

##### *J. 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.

##### *K. 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.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### **For The Year Ended December 31, 2010**

---

#### **Note 3: Changes in Accounting Principles**

For 2010, the Plant has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 established accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 58 provides account and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change to the financial statements.

#### **Note 4: Deposits and Investments**

Since the City of Rocky River is the Plant's fiscal agent, the Plant follows the guidelines for deposit of funds set forth by the City Charter as well as certain provisions of Ohio Rev. Code Chapter 135: Uniform Depository Act.

City of Rocky River, Charter, Article VII, Section 3. provides "The Director of Finance may invest moneys of the City in any or all of the following: Bonds or notes of this City, bonds or other obligations of the United States or those for the payment of principal and interest of which the faith of the United States is pledged, bonds or other obligations of this State and bonds or other obligations of any political subdivision or taxing district of this State as to which there is no default of principal or interest, in such manner as is now or hereafter provided by ordinance of Council or by the laws of the State of Ohio, and the State Treasury Asset Reserve (STAR), an investment pool managed by the Ohio Treasurer of State, as defined in Section 135.45(F)(2)(a) of the Ohio Revised Code."

Ohio Revised Code Section 135.01 classifies public money of the Plant into three categories: 1) active deposits; 2) inactive deposits, and 3) interim deposits. Because of the enacted City of Rocky River Charter provisions described above, the Plant is not subject to certain investment restrictions defined in Ohio Revised Code Section 135.01. The Plant is subject to other Ohio Rev. Code Chapter 135 prohibitions and maturity limitations.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### **Note 4: Deposits and Investments (continued)**

##### **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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Plant funds shall be required to pledge security for repayment of all public moneys deposited with the institution.

At year-end, the carrying amount of the Plant's deposits was \$5,416,062 and the bank balance was \$5,416,062. Of the bank balance \$1,338,449 was covered by federal depository insurance and \$4,077,613 was uninsured. The entire uninsured bank balance was collateralized with securities held by pledging institutions' agents in its collateral pool.

##### **Investments**

Investments are reported at fair value. As of December 31, 2010, 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 GASB 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 5: Receivables**

Receivables at December 31, 2010, consist of accrued interest and accounts receivable from the City of Rocky River for two months of their monthly expenses.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### **For The Year Ended December 31, 2010**

---

#### **Note 6: Risk Management**

The Plant is exposed to various risks related to damage to, theft of and destruction of assets; torts; errors and omissions; natural disasters; and injuries to employees. During 2010, the Plant obtained insurance to manage these and other risks. 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.

Health, prescription, dental, and life insurance are provided to Plant employees through a paid premium program with the City of Rocky River.

Protection for employees' injured at the Plant is provided through the City of Rocky River by the Ohio Bureau of Workers' Compensation. The City of Rocky River has contracted with a third party administrator and a managed care organization to provide case management, consulting and administrative services to the Plant.

#### **Note 7: Contingent Liabilities**

There were no legal proceedings seeking damages against the Plant as of December 31, 2010. Plant management is not aware of any pending claims, asserted or unasserted, as of December 31, 2010.



# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 8: Capital Assets

Capital Asset activity for the year ended December 31, 2010 was as follows:

	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/10</u>
Capital Assets, not being Depreciated:				
Construction in Progress	\$ <u>2,499,548</u>	\$ <u>236,719</u>	\$ <u>(2,601,690)</u>	\$ <u>134,577</u>
Capital Assets, being Depreciated:				
Treatment Plant	52,674,221	2,601,690	0	55,275,911
Equipment	349,782	66,871	0	416,653
Vehicles	<u>37,530</u>	<u>0</u>	<u>0</u>	<u>37,530</u>
Total Capital Assets, being Depreciated	<u>53,061,533</u>	<u>2,668,561</u>	<u>0</u>	<u>55,730,094</u>
Less Accumulated Depreciation:				
Treatment Plant	(23,681,130)	(1,317,455)	0	(24,998,585)
Equipment	(280,036)	(39,305)	0	(319,341)
Vehicles	<u>(20,619)</u>	<u>(7,506)</u>	<u>0</u>	<u>(28,125)</u>
Total Accumulated Depreciation	<u>(23,981,785)</u>	<u>(1,364,266)</u>	<u>0</u>	<u>(25,346,051)</u>
Total Capital Assets, being Depreciated, Net	<u>29,079,748</u>	<u>1,304,295</u>	<u>0</u>	<u>30,384,043</u>
Total Capital Assets, Net	\$ <u><u>31,579,296</u></u>	\$ <u><u>1,541,014</u></u>	\$ <u><u>(2,601,690)</u></u>	\$ <u><u>30,518,620</u></u>

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

#### Note 9: Long-Term Obligations

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

	Outstanding 12/31/09	Additions	Deletions	Outstanding 12/31/10	Amounts Due in One Year
2000 5.50% \$11,344,496					
OWDA Loan – Matures 7/1/25	\$ 9,052,288	\$ 0	\$ (365,100)	\$ 8,687,188	\$ 385,457
0.00% OPWC					
Trickling Filter Recycle Pump Replacement	246,844	0	(13,714)	233,130	13,714
WWTP Improvements	2,257,789	0	(115,784)	2,142,005	115,784
WWTP Improvements 2008/2009	205,269	163,255	0	368,524	18,426
Compensated Absences Payable	<u>349,676</u>	<u>116,936</u>	<u>(98,557)</u>	<u>368,055</u>	<u>31,717</u>
Total	\$ <u>12,111,866</u>	\$ <u>280,191</u>	\$ <u>(593,155)</u>	\$ <u>11,798,902</u>	\$ <u>565,098</u>

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2010, are as follows:

Year	OWDA Loan		OWPC Loans			Total
	Principal	Interest	Trick Filter	Improvements	Improvements 2008 - 2009	
2011	\$ 385,457	\$ 472,567	\$ 13,714	\$ 115,784	\$ 18,426	\$ 1,005,948
2012	406,948	451,076	13,714	115,784	18,426	1,005,948
2013	429,638	428,386	13,714	115,784	18,426	1,005,948
2014	453,593	404,431	13,714	115,784	18,426	1,005,948
2015	478,884	379,140	13,714	115,784	18,426	1,005,948
2016-2020	2,825,975	1,464,142	68,570	578,921	92,130	5,029,738
2021-2025	3,706,693	583,429	68,570	578,921	92,130	5,029,743
2024-2028	<u>0</u>	<u>0</u>	<u>27,420</u>	<u>405,243</u>	<u>92,134</u>	<u>524,797</u>
Total	\$ <u>8,687,188</u>	\$ <u>4,183,171</u>	\$ <u>233,130</u>	\$ <u>2,142,005</u>	\$ <u>368,524</u>	\$ <u>15,614,018</u>

OPWC has finalized a loan for the plant improvements project totaling \$2,315,681. The loan will be repaid in semiannual installments of \$57,892 beginning in 2009 over an estimated 20 years, ending in 2029.

OPWC finalized a loan to the Plant for the Trickling Filter Recycle Pump Replacement project totaling \$274,272 in 2007. The loan will be repaid in semiannual installments of approximately \$6,857 over an estimated 20 years, ending in 2027.

In 2010, OPWC has finalized a loan for the 2008 – 2009 plant improvements project totaling \$368,524. The loan will be repaid in semiannual installments of \$9,213 beginning in 2011 over an estimated 20 years, ending in 2030.

The Ohio Water Development Authority (OWDA) approved a loan to the Plant in 1999 to finance improvements, repayment of which began in July 2001.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 10: 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 2010 involving the four member cities, are summarized as follows:

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

Charges for services revenue for 2010 consists of amounts charged to the member cities for wastewater treatment services provided to the member cities' residents and contributions to the Plant for plant and equipment replacement, as follows:

	Charges for Services	Contributions
Bay Village	\$ 669,936	\$ 104,018
Fairview Park	746,422	113,621
Rocky River	1,080,750	161,735
Westlake	<u>1,685,844</u>	<u>256,626</u>
Total	<u>\$ 4,182,952</u>	<u>\$ 636,000</u>

As of December 31, 2010, the City of Rocky River owed the Plant \$216,150 for the charges discussed above which is recorded as Accounts Receivable.

##### B. Lease of Land

The Plant is located on property of the City of Rocky River. The organizing agreement (as amended) provides for an annual lease payment of \$57,000 to the City for the land.

#### Note 11: Pension Plan

Plant employees participate 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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions, similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for these 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 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### **Note 11: Pension Plan (continued)**

For 2010, the member and employer contribution rates were consistent across all three plans. For the year ended, December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries to fund pension obligations. The Plant contributed 14.0 percent of covered payroll, of which 5.5 percent from January 1 through February 28 and 5.0 percent from March 1 through December 31 for traditional plan members and 4.73 percent from January 1 through February 28 and 4.23 percent from March 1 through December 31 for members of the combined plan was used to fund health care coverage for retirees. 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, 2010, 2009, and 2008 were \$104,132, \$87,224, and \$72,997, respectively, 88.32 percent has been contributed for 2010, 100 percent for 2009 and 2008. There were no contributions to the member-directed plan for 2010.

#### **Note 12: Postemployment Benefits**

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-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 OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 227 E. Town St., Columbus, OH, 43215-4642, or by calling (614)222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the Plant contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For The Year Ended December 31, 2010

---

#### Note 12: Postemployment Benefits (continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2010, the employer contribution allocated to the health care plan for members of the traditional plan was 5.5 percent from January 1 through February 28 and 5.0 percent from March 1 through December 31 of covered payroll. For members of the combined plan, 4.73 percent from January 1 through February 28 and 4.23 percent from March 1 through December 31 of covered payroll was allocated to the health care plan. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Plant's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$59,528, \$63,424, and \$72,997, respectively; 88.32 percent has been contributed for 2010, 100 percent for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

#### Note 13: Contractual Commitments

At December 31, 2010, the Plant's significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Biosolids Evaluation, Engineering	\$ 38,161	\$ 24,048	\$ 14,113
Floor Repair, Engineering	22,372	17,527	4,845
Miscellaneous Projects, Engineering	22,185	10,509	11,676
Odor Control, Engineering	45,423	26,509	18,914
Plant Improvements, Contractor	2,434,000	1,923,987	510,013
Settled Sewage Pump, Construction	224,900	192,355	32,545
Settled Sewage Pump Evaluation, Engineering	165,564	93,505	72,059
Total	\$ <u>2,952,605</u>	\$ <u>2,288,440</u>	\$ <u>664,165</u>

#### Note 14: Compliance

There were no reporting or NPDES Permit limit violations during 2010.

The Plant applied to renew its NPDES Permit in January 2010 within the required deadline.

Federal criteria provide that if a Clean Water Act permit is past its expiration date it means the permitting authority (State of Ohio Environmental Protection Agency) has not yet issued a new permit and the expired permit is administratively extended and kept in effect until the new permit is issued.

**Rocky River Wastewater Treatment Plant  
Supplemental Information  
Schedule of Revenues, Expenses and Changes in Fund Equity -  
Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund  
For The Year Ended December 31, 2010**

	Budget		Actual	Variance
	Original	Final		With Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for Services	\$ 5,657,078	\$ 3,469,780	\$ 3,966,802	\$ 497,022
Other Income	4,373	2,000	2,578	578
Intergovernmental	0	0	29,214	29,214
Investment Income	<u>228,445</u>	<u>85,000</u>	<u>30,140</u>	<u>(54,860)</u>
Total Revenues	<u>5,889,896</u>	<u>3,556,780</u>	<u>4,028,734</u>	<u>471,954</u>
<b>Expenses:</b>				
Personal Services	1,505,823	1,540,823	1,474,476	66,347
Contractual Services	803,740	819,740	692,227	127,513
Materials and Supplies	532,194	532,194	457,496	74,698
Heat, Light and Power	755,000	757,000	704,858	52,142
Landfill	270,031	258,031	221,383	36,648
Capital Outlay	1,642,496	1,636,496	1,135,254	501,242
<b>Debt Service:</b>				
Principal Retirement	494,685	494,685	494,598	87
Interest and Fiscal Charges	<u>492,925</u>	<u>492,925</u>	<u>492,924</u>	<u>1</u>
Total Expenses	<u>6,496,894</u>	<u>6,531,894</u>	<u>5,673,216</u>	<u>858,678</u>
Excess Revenues (Over) Expenses	(606,998)	(2,975,114)	(1,644,482)	1,330,632
<b>Other Financing Sources (Uses):</b>				
Proceeds from issuance of OPWC Loan	<u>0</u>	<u>0</u>	<u>163,255</u>	<u>163,255</u>
Net Change in Fund Equity	(606,998)	(2,975,114)	(1,481,227)	1,493,887
Fund Equity at Beginning of Year, Restated (See Note 3)	4,652,200	4,652,200	4,652,200	0
Prior Year Encumbrances Appropriated	<u>1,099,554</u>	<u>1,099,554</u>	<u>1,099,554</u>	<u>0</u>
Fund Equity at End of Year	\$ <u>5,144,756</u>	\$ <u>2,776,640</u>	\$ <u>4,270,527</u>	\$ <u>1,493,887</u>

(Continued)

**Rocky River Wastewater Treatment Plant**  
**Supplemental Information**  
**Schedule of Revenues, Expenses and Changes in Fund Equity -**  
**Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund (Continued)**  
**For The Year Ended December 31, 2010**

---

The following table summarized the adjustments necessary to reconcile the changes in net assets to the changes in fund equity.

Change in Net Assets	\$ (678,200)
Net Adjustments for Revenue Accruals	(1,320,433)
Net Adjustments for Expense Accruals	(1,472,579)
Depreciation Expense	1,364,266
Capital Outlay	1,135,254
Capital Contributions	636,000
Encumbrances	<u>(1,145,535)</u>
Change in Fund Equity	\$ <u>(1,481,227)</u>

# Rocky River Wastewater Treatment Plant

## Notes to Supplemental Information

### **For The Year Ended December 31, 2010**

---

#### **Note 1: Budgetary Basis of Accounting**

On the accrual basis of accounting used by the Plant, expenses are recognized at the time they are incurred.

The Schedule of Revenues, Expenses and Changes in Fund Equity Balance – Budget (Non-GAAP Budgetary Basis) and Actual is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis, as provided by the general laws of the State of Ohio, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In addition, allocations of cost, such as depreciation, are not recognized on a budgetary basis; and outlays for capital assets are capitalized on a GAAP basis.

The table above presents the adjustments necessary to reconcile the Change in Net Assets (GAAP basis) to the Net Change in Fund Equity (budget basis).

#### **Note 2: Budgetary Data**

The Plant fund is required to be budgeted and appropriated in accordance with the general laws of the State of Ohio. The budget documents prepared are the Alternative Tax Budget Information, the Certificate of Estimated Resources, and the Appropriations Ordinance, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources establishes a limit on the amount the Management Committee may recommend to appropriate. The Appropriations Ordinance of the City of Rocky River is authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control. The legal level of control has been established through the Appropriation Ordinance at the object level. Budgetary modifications may only be made by supplemental appropriation ordinance.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the City of Rocky River Director of Finance as fiscal agent. The amounts reported as the original budgeted amounts on the budgetary schedule reflect the amounts on the Certificate of Estimated Resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended Certificate of Estimated Resources in effect at the time the permanent appropriations were enacted.

The Appropriation Ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first Appropriation Ordinance for the Plant that covered the entire year, including encumbered amounts carried forward from prior years. The amounts reported as the final budgeted amounts represent the permanent appropriations amounts, as supplemented.

For management purposes, monthly budget-to-actual comparisons are reported to the Superintendent and Management Committee.

#### **Note 3: Restatement of Budget Statement Balances**

The Plant found it necessary to restate the beginning balance of the Schedule of Revenues, Expenses, and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual – Proprietary Fund due to improperly recording encumbrances in the prior year. The beginning balance at the end of the year was \$6,851,308 and was reduced by \$2,199,108 to a restated beginning balance of \$4,652,200.





# Dave Yost • Auditor of State

## 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 Committee:

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, 2010, and have issued our report thereon dated June 21, 2011. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Plant's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Plant's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Plant's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 did note a certain matter not requiring inclusion in this report that we reported to the Plant's management in a separate letter dated June 21, 2011.

We intend this report solely for the information and use of management, the Management Committee, and others within the Plant. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

June 21, 2011



# Dave Yost • Auditor of State

**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  
JULY 7, 2011**