

**ROCKY RIVER WASTEWATER  
TREATMENT PLANT  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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(800) 282-0370

Members of Management  
Rocky River Wastewater Treatment Plant  
21012 Hilliard Boulevard  
Rocky River, Ohio 44116

We have reviewed the *Independent Auditor's Report* of the Rocky River Wastewater Treatment Plant, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Rocky River Wastewater Treatment Plant is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 18, 2022**

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**ROCKY RIVER WASTEWATER TREATMENT PLANT  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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# JAMES G. ZUPKA, C.P.A., INC.

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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To Members of the Management Committee  
Rocky River Wastewater Treatment Plant  
Rocky River, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plant, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plant's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plant's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 14 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Plant. Our opinion is not modified with respect to this matter.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plant's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the Plant's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plant's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 28, 2022

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# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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The Management's Discussion and Analysis of the financial performance provides an overall review of the Rocky River Wastewater Treatment Plant's (the "Plant") financial activities for the year ended December 31, 2021. 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 highlights for 2021 are as follows:

- During 2021, the Cities of Bay Village, Fairview Park, Rocky River, and Westlake contributed \$5,354,800 combined to the Plant. Of this amount, \$1,300,000 is considered amounts contributed to the Plant for plant and equipment replacement.
- The Plant regularly undergoes regular maintenance and improvements. Currently, the Plant is in the middle of the WWTP 2017-2020 Capital Improvements project with 75% of the funding coming from an Ohio Public Works Commission grant and loan from the State Capital Improvement Program. The remaining 25% of the project resources are from Plant resources set-aside for capital updates. The work on the project will continue in 2022 after it was paused during 2021 as a result of delays in receiving certain equipment needed to complete the project.
- The Plant began a new maintenance and improvements project, WWTP CEPT and Final Clarifier Improvements, during 2021. This project is being funded through loans from the Ohio Water Development Authority.

#### Using this Annual Financial Report

##### *Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position*

The Statement of Net Position presents the Plant's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these balances reported as net position. Changes in the Plant's net position can serve as a useful indicator of the Plant's financial position.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Plant's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The following summary presents the Plant's net position; 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)

### For the Year Ended December 31, 2021

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Table 1 provides a summary of the Plant's net position for 2021 compared to 2020.

Table 1  
Net Position

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 4,463,021	\$ 4,437,280
Capital Assets, Net	23,223,186	24,348,508
Net Pension Asset	19,339	12,173
Net OPEB Asset	<u>135,412</u>	<u>0</u>
Total Assets	<u>27,840,958</u>	<u>28,797,961</u>
<b>Deferred Outflows of Resources</b>		
Pension	165,057	262,132
OPEB	<u>67,783</u>	<u>183,372</u>
Total Deferred Outflows of Resources	<u>232,840</u>	<u>445,504</u>
<b>Liabilities</b>		
Current Liabilities	1,425,683	1,558,394
Noncurrent Liabilities:		
Other Noncurrent Liabilities	5,848,605	6,362,153
Net Pension Liability	1,163,894	1,611,623
Net OPEB Liability	<u>0</u>	<u>1,085,818</u>
Total Liabilities	<u>8,438,182</u>	<u>10,617,988</u>
<b>Deferred Inflows of Resources</b>		
Pension	565,022	386,445
OPEB	<u>445,482</u>	<u>176,531</u>
Total Deferred Inflows of Resources	<u>1,010,504</u>	<u>562,976</u>
<b>Net Position</b>		
Net Investment in Capital Assets	16,487,644	17,174,155
Unrestricted	<u>2,137,468</u>	<u>888,346</u>
Total Net Position	<u>\$ 18,625,112</u>	<u>\$ 18,062,501</u>

# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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The Plant follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pensions and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Plant's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension/OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB asset to equal the Plant's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension/OPEB. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the Plant is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment

# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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schedule for the net pension liability. As explained previously, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68 and GASB 75, the Plant's statements prepared on the accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan's change in net pension liability and net pension/OPEB asset not accounted for as deferred inflows/outflows.

Net position may serve over time as a useful indicator of a government's financial position. For the Plant, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$18,625,112 as of December 31, 2021, which is a \$562,611 increase from the prior year. At the end of the current year, the Plant is able to report positive balances in the net investment in capital assets and unrestricted net position.

The largest portion of the Plant's net position reflects its net investment in capital assets. Capital assets include construction in progress, treatment plant, equipment and vehicles. The Plant uses those capital assets to provide services to its customers; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2021, was \$16,487,644. Although the Plant's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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Table 2 shows the changes in Net Position for the year ended December 31, 2021 and 2020.

Table 2  
Change in Net Position

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 5,354,800	\$ 5,414,986
Other Revenues	49	1,834
<b>Non-Operating Revenues</b>		
Intergovernmental	53,147	62,699
Interest Revenue	<u>406</u>	<u>2,444</u>
Total Revenues	<u>5,408,402</u>	<u>5,481,963</u>
<b>Operating Expenses</b>		
Personal Services	731,864	1,768,832
Contractual Services	938,439	1,046,318
Materials and Supplies	381,178	376,561
Utilities	668,003	730,058
Landfill	266,281	224,416
Depreciation	1,684,781	1,687,983
<b>Non-Operating Expenses</b>		
Interest and Fiscal Charges	<u>175,245</u>	<u>223,700</u>
Total Expenses	<u>4,845,791</u>	<u>6,057,868</u>
Increase (Decrease) in Net Position	562,611	(575,905)
Net Position at Beginning of Year	<u>18,062,501</u>	<u>18,638,406</u>
Net Position at End of Year	<u>\$ 18,625,112</u>	<u>\$ 18,062,501</u>

# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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Charges for services decreased during 2021 as the Plant's charges to its two largest members decreased during the year.

Personal services are down in 2021 as a result of the pension and OPEB expenses as a result of changes in the Plant's proportionate share in the net pension/OPEB liabilities. Contractual services were down this year as the Plant underwent a large flow quantity and strength study during 2020 and there was no such item in the current year.

#### **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 Chair and Plant Superintendent 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 2021, the Plant had one supplemental appropriation. Therefore the original appropriations, including prior year encumbrances, in total were \$8,798,503 and final appropriations, including prior year encumbrances, in total were \$8,803,503. The total original budgeted revenues were \$8,518,105 and final budgeted revenues were \$8,351,785. Actual revenues were \$2,626,274 less than the final budget estimates primarily as a result of a decrease in loan proceeds and charges for services. The final appropriations, including prior year encumbrances of \$8,803,503 was sufficient to meet the expenditures for the year, which ended up at \$6,846,253, or \$1,957,250 less than anticipated. The Plant is currently performing an OPWC treatment plant improvement project; however, the Plant had less in project expenditures than expected due to the project being paused during the part of the current year. The Plant began a new project WWTP CEPT and Final Clarifier Improvements project in the current year; however, the Plant had less in project expenditures than expected due to only the preliminary engineering only being completed in the current year. Both of these items caused actual revenues and expenditures to be less than budgeted.



# Rocky River Wastewater Treatment Plant

## Management's Discussion and Analysis (Unaudited)

### For the Year Ended December 31, 2021

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#### Capital Assets

Table 3 provides a summary of the Plant's capital assets, net of accumulated depreciation, for 2021 compared to 2020.

Table 3  
Capital Assets, Net

	<u>2021</u>	<u>2020</u>
Construction in Progress	\$ 1,871,520	\$ 1,399,844
Treatment Plant	21,135,963	22,696,906
Equipment and Vehicles	<u>215,703</u>	<u>251,758</u>
Total Capital Assets, Net	\$ <u>23,223,186</u>	\$ <u>24,348,508</u>

Capital assets, net of accumulated depreciation decreased by \$1,125,322 as depreciation outpaced current year additions. For more information on capital assets, see Note 7 to the Basic Financial Statements.

#### 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%. The Plant received a planning loan from OWDA (loan #9459) for WWTP CEPT & Final Clarifier Improvements during the year. This loan was refinanced subsequent to year end with a new loan from OWDA (loan #9650). As loan #9650 is still active and being drawn on, the full amount of loan #9459 is reported in noncurrent liabilities. The balance of the outstanding amount of the OWDA loans at December 31, 2021 is \$3,413,804. The Plant has six Ohio Public Works Commission (OPWC) loans; each loan has a zero percent interest rate and with terms between 20 and 25 years. The balance of the outstanding amounts of the OPWC loans at December 31, 2021 is \$3,171,720. The Plant has no bonded indebtedness. See Note 8 for additional information on debt.

#### Current Financial Related Activities

During 2021, the Plant continued progress on the OPWC WWTP 2017-2020 Capital Improvements Project with an estimated project cost of \$1,921,000. The project involves the repair/replacement of a series of Plant components and equipment that date to 1961.

#### 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 Position

December 31, 2021

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Assets:

Current Assets:

Cash and Cash Equivalents	\$	4,189,839
Materials and Supplies Inventory		256,277
Prepaid		16,905
Total Current Assets		<u>4,463,021</u>

Noncurrent Assets:

Capital Assets:

Construction in Progress		1,871,520
Treatment Plant		62,413,734
Equipment		1,321,807
Vehicles		103,976
Less: Accumulated Depreciation		<u>(42,487,851)</u>
Total Capital Assets, net		23,223,186

Net Pension Asset		19,339
Net OPEB Asset		<u>135,412</u>
Total Noncurrent Assets		<u>23,377,937</u>

Total Assets		<u>27,840,958</u>
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Deferred Outflows of Resources:

Pension		165,057
OPEB		<u>67,783</u>
Total Deferred Outflows of Resources		<u>232,840</u>

Liabilities:

Current Liabilities:

Accounts Payable		305,664
Accrued Wages and Benefits		14,284
Intergovernmental Payable		76,077
Matured Compensated Absences Payable		2,068
Compensated Absences Payable		51,813
Accrued Interest Payable		60,871
OPWC Loans Payable		214,782
OWDA Loans Payable		<u>700,124</u>
Total Current Liabilities		<u>1,425,683</u>

Continued

The accompanying notes are an integral part of these basic financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Net Position (continued)

December 31, 2021

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Noncurrent Liabilities:

Compensated Absences Payable (Net of Current Portion)	177,987
OPWC Loans Payable (Net of Current Portion)	2,956,938
OWDA Loans Payable (Net of Current Portion)	2,713,680
Net Pension Liability	<u>1,163,894</u>
Total Noncurrent Liabilities	<u>7,012,499</u>

Total Liabilities	<u>8,438,182</u>
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Deferred Inflows of Resources

Pension	565,022
OPEB	<u>445,482</u>
Total Deferred Inflows of Resources	<u>1,010,504</u>

Net Position:

Net Investment in Capital Assets	16,487,644
Unrestricted	<u>2,137,468</u>

Total Net Position	<u>\$ 18,625,112</u>
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The accompanying notes are an integral part of these basic financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2021

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Operating Revenues:	
Charges for Services	\$ 5,354,800
Other Revenues	49
Total Operating Revenues	<u>5,354,849</u>
Operating Expenses:	
Personal Services	731,864
Contractual Services	938,439
Materials and Supplies	381,178
Utilities	668,003
Landfill	266,281
Depreciation	1,684,781
Total Operating Expenses	<u>4,670,546</u>
Operating Income	<u>684,303</u>
Non-Operating Revenues and (Expenses):	
Intergovernmental	53,147
Interest Revenue	406
Interest and Fiscal Charges	(175,245)
Total Non-Operating Revenues and (Expenses)	<u>(121,692)</u>
Change in Net Position	<u>562,611</u>
Net Position at Beginning of Year	<u>18,062,501</u>
Net Position at End of Year	<u>\$ 18,625,112</u>

The accompanying notes are an integral part of these basic financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Cash Flows

For the Year Ended December 31, 2021

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Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 5,354,800
Cash Received from Other Operating Sources	49
Cash Payments to Suppliers for Goods and Services	(2,484,708)
Cash Payments for Employee Services and Benefits	<u>(1,752,113)</u>

Net Cash Provided by Operating Activities 1,118,028

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(490,600)
Proceeds from OWDA Loan	370,260
Principal Paid on OWDA Loan	(663,150)
Principal Paid on OPWC Loan	(214,780)
Interest Paid on OWDA Loan	<u>(141,727)</u>

Net Cash Used by Capital and Related Financing Activities (1,139,997)

Cash Flows from Investing Activities:

Interest Received	<u>406</u>
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Net Decrease in Cash and Cash Equivalents (21,563)

Cash and Cash Equivalents, Beginning of Year 4,211,402

Cash and Cash Equivalents, End of Year \$ 4,189,839

Continued

The accompanying notes are an integral part of these basic financial statements

# Rocky River Wastewater Treatment Plant

## Statement of Cash Flows (continued)

For the Year Ended December 31, 2021

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

Operating Income	\$ 684,303
Adjustments:	
Depreciation	1,684,781
(Increase) Decrease in Assets and Deferred Outflows:	
Intergovernmental Receivable	1,365
Inventory	(54,462)
Prepays	5,793
Net Pension Asset	(7,166)
Net OPEB Asset	(135,412)
Deferred Outflows Related to Pension	97,075
Deferred Outflows Related to OPEB	115,589
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(231,059)
Accrued Wages and Benefits	(44,029)
Matured Compensated Absences Payable	2,068
Compensated Absences Payable	25,178
Intergovernmental Payable	60,023
Net Pension Liability	(447,729)
Net OPEB Liability	(1,085,818)
Deferred Inflows Related to Pension	178,577
Deferred Inflows Related to OPEB	268,951
Total adjustments	<u>(1,251,056)</u>
Net Cash Provided by Operating Activities:	\$ <u>1,118,028</u>

Supplemental Schedule of Non-Cash Capital and Related Financing Activities:

Capital Assets Purchased on Credit, Net	\$ 68,859
OWDA Interest Funded by Intergovernmental Subsidy	53,147

The accompanying notes are an integral part of these basic financial statements

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements

### For the Year Ended December 31, 2021

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

The Rocky River Wastewater Treatment Plant (the “Plant”) was organized by the Ohio municipal corporations of the Cities of Bay Village, Fairview Park, Rocky River, and Westlake (individually, a “Member City;” collectively, the “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 has been subsequently amended by mutual agreement of the Member Cities. 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. The organizing agreement provides that the fifth member may be compensated. In 2021, that member served without compensation.

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 participating residents of the Member Cities, with a combined population of approximately 86,000, with wastewater treatment services. The Plant is designed to treat an average daily flow of 22.5 million gallons per day (MGD) and has a primary treatment capacity of 128 MGD and a secondary treatment capacity of 45 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. All amounts shown in the table below are in 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>
2021	13.01	64.80	>120.0	4,740
2020	14.73	61.90	>120.0	5,460
2019	13.74	55.12	114.4	5,016
2018	14.94	42.32	145.6	5,400
2017	13.37	49.95	120.0	4,631

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

The Plant is regulated by the Ohio Environmental Protection Agency to limit air contaminants generated by the anaerobic digestion process and associated control equipment. These regulations are established by permit and effective for the period February 1, 2017 to January 31, 2022.

As of December 31, 2021, the Plant had 10 employees to perform operational duties, of whom all hold Ohio Environmental Protection Agency license certifications ranging from Class I through Class IV. There are five other employees in Plant Maintenance and the Laboratory that hold similar licensure.

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 for the year ended December 31, 2021:

Bay Village	22.91%
Fairview Park	19.03
Rocky River	23.12
Westlake	<u>34.94</u>
Total	<u>100.00%</u>

The flow quantity and strength study that established the above listed rates was completed in July 2020. The continued existence of the Plant is dependent upon the participation of each Member City.



# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### **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 most significant of the Plant's accounting policies are described as follows.

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

The Plant's Basic Financial Statements consist of a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; 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 position, 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 deferred outflows and all liabilities and deferred inflows associated with the operation of the Plant are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the Plant finances and meets the cash flow needs of its 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. Non-exchange 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, 2021

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

##### ***C. Basis of Accounting (continued)***

In addition to assets, the financial statements that report net position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Plant, deferred outflows of resources are reported on the Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements that report net position may include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Plant, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the Statement of Net Position, see Notes 11 and 12.

##### ***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 invested in short-term investments as described in Note 4. The balances in these accounts are presented on the Statement of Net Position as "Cash and Cash Equivalents" and represent deposits.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, 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. During 2021, the Plant held only cash and cash equivalents.

##### ***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. Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid assets using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

##### G. Capital Assets

Capital assets utilized by the Plant are reported on the Statement of Net Position. 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 acquisition value 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 useful life are not capitalized.

All capital assets are depreciated, except for Construction in Progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Treatment Plant	40 years
Equipment	5 years
Vehicles	10 years

##### 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. Vacation leave is earned at rates which vary depending upon length of service and standard work week. Vacation accumulation is limited to two times the amount earned by an employee during the year.

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 40 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.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

##### ***I. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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 first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The Plant did not have any restricted net position as of December 31, 2021.

##### ***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 revenues. 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.

##### ***L. Pension/Other Postemployment Benefits (OPEB)***

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

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

##### *Newly Issued Accounting Pronouncements, Not Yet Adopted*

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The Plant has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The Plant has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020 to address accounting and financial reporting implications that result from global reference rate reform. The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The Plant has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-3, *Leases*, effective date was also deferred as a result of GABS Statement No. 95. The effective date of this implementation guide is reporting periods beginning after June 15, 202. The Plant has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

#### **Note 4: Deposits**

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 Revised Code Chapter 135: Uniform Depository Act.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

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 Revised Code Chapter 135 prohibitions and maturity limitations.

*Custodial credit risk* is the risk that in the event of bank failure, the Plant’s deposits may not be returned to it.

The Plant has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured be protected by eligible securities pledged to and deposited either with the Plant or a qualified trustee by the financial institution as security for repayment, or by establishing and pledging to the Treasurer of State a single pool of collateral for the benefit of every public depositor. The total market value of the securities pledged must meet either of the following:

One hundred two percent of the total amount of all uninsured public deposits; or

An amount determined by rules adopted by the Ohio Treasurer of State that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At year-end, the bank balance of the Plant’s deposits were \$4,621,403. At year-end \$729,245 of the Plant’s total bank balance was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the Plant’s financial institution participates in the Ohio Pooled Collateral System (OPCS) and one was approved by the Ohio Treasurer of State for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

#### **Note 5: Risk Management**

The Plant is exposed to various risks related to damage, theft and destruction of assets; torts; errors and omissions; natural disasters; and injuries to employees. During 2021, 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.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### **Note 5: Risk Management (continued)**

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 6: Contingent Liabilities**

There were no legal proceedings seeking damages against the Plant as of December 31, 2021. Plant management is not aware of any pending claims, asserted or unasserted, as of December 31, 2021.

#### **Note 7: Capital Assets**

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/21</u>
Capital Assets, not being Depreciated:				
Construction in Progress	\$ <u>1,399,844</u>	\$ <u>471,676</u>	\$ <u>0</u>	\$ <u>1,871,520</u>
Capital Assets, being Depreciated:				
Treatment Plant	62,413,734	0	0	62,413,734
Equipment	1,234,024	87,783	0	1,321,807
Vehicles	<u>103,976</u>	<u>0</u>	<u>0</u>	<u>103,976</u>
Total Capital Assets, being Depreciated	<u>63,751,734</u>	<u>87,783</u>	<u>0</u>	<u>63,839,517</u>
Less Accumulated Depreciation:				
Treatment Plant	(39,716,828)	(1,560,943)	0	(41,277,771)
Equipment	(1,033,676)	(117,193)	0	(1,150,869)
Vehicles	<u>(52,566)</u>	<u>(6,645)</u>	<u>0</u>	<u>(59,211)</u>
Total Accumulated Depreciation	<u>(40,803,070)</u>	<u>(1,684,781)</u>	<u>0</u>	<u>(42,487,851)</u>
Total Capital Assets, being Depreciated, Net	<u>22,948,664</u>	<u>(1,596,998)</u>	<u>0</u>	<u>21,351,666</u>
Total Capital Assets, Net	\$ <u>24,348,508</u>	\$ <u>(1,125,322)</u>	\$ <u>0</u>	\$ <u>23,223,186</u>

#### **Note 8: Long-Term Obligations**

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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

	Outstanding 12/31/20	Additions	Deletions	Outstanding 12/31/21	Amounts Due in One Year
2000 5.50% \$11,582,103 OWDA Loan – Matures 7/1/25*	\$ 3,706,694	\$ 0	\$ (663,150)	\$ 3,043,544	\$ 700,124
2021 OWDA WWTP CEPT and Final Clarifier Improvements (#9459)	0	370,260	0	370,260	0
0.00% OPWC Trickling Filter Recycle Pump Replacement*	102,848	0	(13,712)	89,136	13,714
WWTP Improvements*	1,042,057	0	(115,784)	926,273	115,784
WWTP Improvements 2008-2009*	193,477	0	(18,426)	175,051	18,426
WWTP Improvements 2013-2016*	595,538	0	(35,032)	560,506	35,032
WWTP Improvements 2014-2017*	747,903	0	(31,826)	716,077	31,826
WWTP Improvements 2017-2020*	704,677	0	0	704,677	0
Net Pension Liability	1,611,623	0	(447,729)	1,163,894	0
Net OPEB Liability	1,085,818	0	(1,085,818)	0	0
Compensated Absences Payable	<u>204,622</u>	<u>131,314</u>	<u>(106,136)</u>	<u>229,800</u>	<u>51,813</u>
Total	\$ <u>9,995,257</u>	\$ <u>501,574</u>	\$ <u>(2,517,613)</u>	\$ <u>7,979,218</u>	\$ <u>966,719</u>

\* Long-term obligation is a direct borrowing.

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2021, are as follows:

Year	OWDA Loan*		OPWC*		Total
	Principal	Interest	Principal		
2022	\$ 700,124	\$ 114,836	\$ 214,782	\$ 1,029,742	
2023	739,161	86,445	214,782	1,040,388	
2024	780,374	56,472	214,782	1,051,628	
2025	823,885	24,829	214,782	1,063,496	
2026	0	0	214,782	214,782	
2027-2031	0	0	785,130	785,130	
2032-2036	0	0	334,290	334,290	
2037-2041	0	0	194,156	194,156	
2042-2044	<u>0</u>	<u>0</u>	<u>79,557</u>	<u>79,557</u>	
Total	\$ <u>3,043,544</u>	\$ <u>282,582</u>	\$ <u>2,467,043</u>	\$ <u>5,793,169</u>	

\* Long-term obligation is a direct borrowing.



# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### **Note 8: Long-Term Obligations (continued)**

In July 2001, the OWDA finalized a loan for Plant expansion totaling \$11,582,103. The initial loan was for 25 years at 5.5% interest. In 2016, OWDA provided the Plant with an interest buy-down, which reduces the interest rate by 1.50%. This also adjusted the semi-annual installments to an amount to retire the principal over 24 years plus the adjusted interest amount.

In July 2021, the Plant received a \$370,260 planning loan from OWDA for WWTP CEPT and Final Clarifier Improvements (loan #9459). This loan was refinanced after year end with a new OWDA loan, WWTP CEPT and Final Clarifier Improvements (loan #9650). The OWDA authorized loan #9650 up to \$1,969,497 and the Plant continues to draw monies against this loan, therefore, the debt maturity schedule above does not reflect any amounts for principal or interest. When loan #9650 is finalized, the principal and interest will be included in the amortization table above.

In September 2007, the OPWC finalized an interest-free loan to the Plant for the Trickling Filter Recycle Pump Replacement project totaling \$274,272. The loan will be repaid in semi-annual installments of \$6,857 over 21 years, ending in 2028.

In January 2009, the OPWC finalized an interest-free loan for the plant improvements project totaling \$2,315,681. The loan will be repaid in semi-annual installments of \$57,892 beginning in 2009 over 20 years, ending in 2029.

In May 2010, the OPWC finalized an interest-free loan for the WWTP Improvements 2008 – 2009 projects totaling \$368,524. The loan will be repaid in semi-annual installments of \$9,213 beginning in 2011 over 20 years, ending in 2031.

In November 2016, the OPWC finalized an interest-free loan for the WWTP Improvements 2013 – 2016 projects totaling \$700,634. The loan will be repaid in semi-annual installments of \$17,516 beginning in the second half of 2017 over 20 years, ending in 2037.

In 2018, the OPWC finalized an interest-free loan for the WWTP Improvements 2014 – 2017 projects totaling \$795,641. The loan will be repaid in semi-annual installments of \$15,913 beginning in 2019 over 26 years, ending in 2044.

The Plant also obtained an OPWC loan for the WWTP Improvements 2017 – 2020 to be repaid in semiannual principal payments upon project completion. OPWC has authorized this loan up to \$1,080,619 and the Plant continues to draw monies against this loan, therefore, the debt maturity schedule above does not reflect any amounts for principal or interest. When the loan is finalized, the principal and interest will be included in the amortization table above.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### **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 2021, 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 2021 consists of amounts charged to the Member Cities for wastewater treatment services provided to the Member Cities' residents, of which a portion is considered a contribution to the Plant for plant and equipment replacement. The charges for services and the portion considered contributions to the Plant are as follows:

	Charges for <u>Services</u>	<u>Contributions</u>
Bay Village	\$ 1,181,971	\$ 297,830
Fairview Park	1,010,201	247,390
Rocky River	1,267,043	300,560
Westlake	<u>1,895,585</u>	<u>454,220</u>
Total	<u>\$ 5,354,800</u>	<u>\$ 1,300,000</u>

#### **B. Land Use Agreement**

The Plant is located on property of the City of Rocky River. The organizing agreement (as amended) provides for an annual payment of \$57,000 to the City for the land. At year end, the Plant's intergovernmental payable includes \$57,000 for the 2021 lease payment to the City.

#### **Note 10: Permitting and Compliance**

The Plant operates under authority of Ohio Environmental Protection Agency (Ohio EPA) National Pollution Discharge Elimination System (NPDES) Permit No. 3PE00009\*MD that was issued January 3, 2017 effective for the period February 1, 2017 to January 31, 2022.

In August 2021, the Plant applied to the Ohio EPA for a new NPDES Permit. As of the date of this report, a new NPDES permit has not been issued. The United States Environmental Protection Agency regulations provide that if a Federal Water Pollution Control Act permit, including the Plant's NPDES Permit, has expired and the permitting authority (Ohio EPA) has not yet issued a new permit, the expired permit is administratively extended and kept in effect until the new permit is issued.

In 2021, the Plant received preliminary notices of non-compliance for three issues; all of which were timely reported to the Ohio EPA. As of the date of this report, no fines or penalties have been either proposed or imposed. Further, Plant management is of the opinion no fines or penalties will result from these issues.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### **Note 11: Defined Benefit Pension Plans**

##### **A. Net Pension/Other Postemployment Benefits (OPEB) Liability (Asset)**

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

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

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

GASB 68 and 75 assumes the liability (asset) is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Plant employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit plan; the combined plan, a combination cost-sharing multiple-employer defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. While members (e.g., Plant employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans..

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>State and Local Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>State and Local Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

Once a benefit recipient retiring under the traditional pension plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the member's base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both member-directed plan and combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll for members in the state and local classifications.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2021 for the traditional and combined plans. The portion of the employer's contribution allocated to health care was 4% for the member-directed plan for 2021. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2021, the Plant's contractually required contributions for the traditional and combined plans, net of postemployment health care benefits, was \$163,771. Of this amount, \$18,578 is reported as intergovernmental payable at December 31, 2021.

##### C. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Plant's proportion of the net pension liability was based on the Plant's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional</u>	<u>OPERS Combined</u>	<u>Total</u>
Proportion of the Net Pension Liability/ Asset Prior Measurement Date	0.008154%	0.005836%	
Proportion of the Net Pension Liability/ Asset Current Measurement Date	<u>0.007860%</u>	<u>0.006699%</u>	
Change in Proportionate Share	(0.000294%)	0.000863%	
Proportionate Share of the Net Pension Asset	\$ 0	\$ 19,339	\$ 19,339
Proportionate Share of the Net Pension Liability	\$ 1,163,894	\$ 0	\$ 1,163,894
Pension (Reduction) Expense	\$ (15,659)	\$ 187	\$ (15,472)

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

#### C. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At December 31, 2021, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>Total</u>
<b>Deferred Outflow of Resources</b>			
Plant Contributions Subsequent to the Measurement Date	\$ 159,764	\$ 4,007	\$ 163,771
Differences in Employer Contributions and Change in Proportionate Share	0	77	77
Change in Assumptions	<u>0</u>	<u>1,209</u>	<u>1,209</u>
Total Deferred Outflow of Resources	\$ <u>159,764</u>	\$ <u>5,293</u>	\$ <u>165,057</u>
<b>Deferred Inflow of Resources</b>			
Differences in Employer Contributions and Change in Proportionate Share	\$ 54,140	\$ 2,018	\$ 56,158
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	453,653	2,876	456,529
Difference Between Expected and Actual Experience	<u>48,687</u>	<u>3,648</u>	<u>52,335</u>
Total Deferred Inflow of Resources	\$ <u>556,480</u>	\$ <u>8,542</u>	\$ <u>565,022</u>

The \$163,771 reported as deferred outflows of resources related to pension resulting from Plant contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>Total</u>
Fiscal Year Ending December 31:			
2022	\$ (232,121)	\$ (1,655)	\$ (233,776)
2023	(77,562)	(1,149)	(78,711)
2024	(184,924)	(1,814)	(186,738)
2025	(61,873)	(998)	(62,871)
2026	0	(600)	(600)
2027-2029	<u>0</u>	<u>(1,040)</u>	<u>(1,040)</u>
	\$ <u>(556,480)</u>	\$ <u>(7,256)</u>	\$ <u>(563,736)</u>

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### D. Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in valuation of total pension liability/asset - 2020

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>
Valuation date	December 31, 2020	December 31, 2020
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% wage inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	0.50% Simple through 2021 then 2.15% Simple	0.50% Simple through 2021 then 2.15% Simple

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% to 0.50% simple through 2021 then 2.15% simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.



# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### D. Actuarial Assumptions – OPERS (continued)

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2015 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00%	1.32%
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00%</u>	<u>5.43%</u>

**Discount Rate** The discount rate used to measure the total pension liability (asset) for measurement year was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 11: Defined Benefit Pension Plans (continued)

##### D. Actuarial Assumptions – OPERS (continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

*Sensitivity of the Plant's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate* The following table presents the Plant's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2%, as well as what the Plant's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease <u>(6.2%)</u>	Discount Rate <u>(7.2%)</u>	1% Increase <u>(8.2%)</u>
Plant's Proportionate Share of the Net Pension Liability – Traditional	\$ 2,220,136	\$ 1,163,894	\$ 285,632
Plant's Proportionate Share of the Net Pension Asset – Combined	\$ 13,466	\$ 19,339	\$ 23,716

##### *Changes between Measurement Date and Report Date*

During 2021, the OPERS Board lowered the investment rate of return from 7.2% to 6.9% along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

#### Note 12: OPEB

##### A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

##### A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA.

For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

##### A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021 state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional plan and combined plan was 0% for 2021. The portion of employer contributions allocated to health care for members in the member-direct plan was 4% during 2021.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rate are actuarially determined and are expressed as a percentage of covered payroll. In 2021, the Plant's contractually required contributions to OPERS health care plans was \$906.

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

#### B. OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Plant's proportion of the net OPEB liability was based on the Plant's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.007861%
Proportion of the Net OPEB Asset Current Measurement Date	<u>0.007601%</u>
Change in Proportionate Share	(0.000260%)
Proportionate Share of the Net OPEB Asset	\$ 135,412
OPEB Reduction	\$ (835,784)

At December 31, 2021, the Plant reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
<b>Deferred Outflow of Resources</b>	
Plant Contributions Subsequent to the Measurement Date	\$ 906
Differences in Employer Contributions and Change in Proportionate Share	306
Change in Assumptions	<u>66,571</u>
Total Deferred Outflow of Resources	<u>\$ 67,783</u>
<b>Deferred Inflow of Resources</b>	
Differences in Employer Contributions and Change in Proportionate Share	\$ 31,743
Difference Between Expected and Actual Experience	122,209
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	72,122
Change in Assumptions	<u>219,408</u>
Total Deferred Inflow of Resources	<u>\$ 445,482</u>

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

#### B. OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The \$906 reported as deferred outflows of resources related to OPEB resulting from Plant contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31:	<u>OPERS</u>
2022	\$ (203,843)
2023	(134,924)
2024	(31,342)
2025	<u>(8,496)</u>
	<u>\$ (378,605)</u>

#### C. Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	<u>Assumptions</u>
Valuation date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age normal
Projected salary increases, including 3.25% wage inflation	3.25 to 10.75%
Projected payroll/active member increase	3.25% per year
Investment rate of return	6.00%
Municipal bond rate	2.00%
Single discount rate of return	6.00%
Health care cost trend	Initial 8.5% to 3.5% ultimate in 2035

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

##### C. Actuarial Assumptions – OPERS (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	34.00%	1.07%
Domestic equities	25.00	5.64
Real estate investment trust	7.00	6.48
International equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00%</u>	<u>4.43%</u>

# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

##### C. Actuarial Assumptions – OPERS (continued)

**Discount Rate** A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00% (Fidelity Index’s “20-Year Municipal GO AA Index”) for the measurement date of December 31, 2020. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**Sensitivity of the Plant’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate** The following table presents the Plant’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the Plant’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	<u>1% Decrease (5.0%)</u>	<u>Discount Rate (6.0%)</u>	<u>1% Increase (7.0%)</u>
Plant’s Proportionate Share of the Net OPEB Asset	\$ 33,671	\$ 135,412	\$ 219,052

**Sensitivity of the Plant’s Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries’ project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.5% in the most recent valuation.



# Rocky River Wastewater Treatment Plant

## Notes to Basic Financial Statements (continued)

### For the Year Ended December 31, 2021

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#### Note 12: OPEB (continued)

##### C. Actuarial Assumptions – OPERS (continued)

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
Plant's Proportionate Share of the Net OPEB Asset	\$ 138,712	\$ 135,412	\$ 131,720

##### *Changes between Measurement Date and Report Date*

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

#### Note 13: Contractual Commitments

At December 31, 2021, the Plant's significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Equipment Purchase	\$ 33,000	\$ 0	\$ 33,000
Engineering Services	538,482	399,349	139,133
2017-2020 Capital Improvement Project	<u>1,891,024</u>	<u>1,167,058</u>	<u>723,966</u>
Total	<u>\$ 2,462,506</u>	<u>\$ 1,566,407</u>	<u>\$ 896,099</u>

#### Note 14: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Plant. The impact on the Plant's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

#### Note 15: Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the Plant to submit any changes to its operational processes to the Ohio Environmental Protection Agency (the "Ohio EPA") for approval. Any changes to its operational processes would be approved through a permit for a new plant/facility that would take the place of the retired asset and would include a plan for the proper abandonment of the current facility. Through this review process, the Plant would be responsible to address any public safety issues associated with its wastewater treatment facilities. At this time, the Plant is unable to reasonably estimate the liability to abandon the current facility without the required permit from the Ohio EPA.

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information

### Schedule of the Plant's Proportionate Share of the Net Pension Liability

#### Ohio Public Employee Retirement System – Traditional Plan

##### For the Last Eight Years (1)

	2021	2020	2019	2018	2017
Plant's Proportion of the Net Pension Liability	0.007860%	0.008154%	0.008453%	0.008162%	0.008088%
Plant's Proportionate Share of the Net Pension Liability	\$ 1,163,894	\$ 1,611,623	\$ 2,314,984	\$ 1,280,523	\$ 1,836,622
Plant's Covered Payroll	\$ 1,112,593	\$ 1,152,807	\$ 1,122,795	\$ 1,108,195	\$ 1,150,366
Plant's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	104.61%	139.80%	206.18%	115.55%	159.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%
	2016	2015	2014		
Plant's Proportion of the Net Pension Liability	0.008656%	0.008720%	0.008720%		
Plant's Proportionate Share of the Net Pension Liability	\$ 1,499,260	\$ 1,051,714	\$ 1,027,959		
Plant's Covered Payroll	\$ 1,065,035	\$ 1,016,709	\$ 1,013,273		
Plant's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.77%	103.44%	101.45%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%		

(1) Information prior to 2014 is not available. Amounts presented for each year were determined as of the Plant's measurement date which is December 31 of the prior year.

See accompanying note to the required supplementary information

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information

### Schedule of the Plant's Proportionate Share of the Net Pension Asset

#### Ohio Public Employee Retirement System – Combined Plan

##### For the Last Eight Years (1)

	2021	2020	2019	2018	2017
Plant's Proportion of the Net Pension Asset	0.006699%	0.005836%	0.004435%	0.004654%	0.004654%
Plant's Proportionate Share of the Net Pension Asset	\$ 19,339	\$ 12,173	\$ 6,111	\$ 6,470	\$ 2,468
Plant's Covered Payroll	\$ 30,036	\$ 26,257	\$ 22,990	\$ 19,987	\$ 19,010
Plant's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	64.39%	46.36%	26.58%	32.37%	12.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	157.67%	145.28%	74.70%	137.28%	116.55%
	2016	2015	2014		
Plant's Proportion of the Net Pension Asset	0.004654%	0.005278%	0.005278%		
Plant's Proportionate Share of the Net Pension Asset	\$ 2,265	\$ 2,032	\$ 554		
Plant's Covered Payroll	\$ 16,663	\$ 17,822	\$ 15,854		
Plant's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	13.59%	11.40%	3.49%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	116.90%	114.83%	104.33%		

(1) Information prior to 2014 is not available. Amounts presented for each year were determined as of the Plant's measurement date which is December 31 of the prior year.

See accompanying note to the required supplementary information

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information

### Schedule of the Plant Contributions

#### Ohio Public Employee Retirement System – Traditional Plan

##### For the Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 159,764	\$ 155,763	\$ 161,393	\$ 157,191	\$ 144,065
Contributions in relation to the contractually required contribution	<u>(159,764)</u>	<u>(155,763)</u>	<u>(161,393)</u>	<u>(157,191)</u>	<u>(144,065)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plant covered payroll	\$ 1,141,174	\$ 1,112,593	\$ 1,152,807	\$ 1,122,795	1,108,195
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 138,044	\$ 127,804	\$ 122,055	\$ 131,726	\$ 93,031
Contributions in relation to the contractually required contribution	<u>(138,044)</u>	<u>(127,804)</u>	<u>(122,005)</u>	<u>(131,726)</u>	<u>(93,031)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plant covered payroll	\$ 1,150,366	\$ 1,065,035	\$ 1,016,709	\$ 1,013,273	\$ 930,308
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.00%	10.00%

See accompanying note to the required supplementary information

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information Schedule of the Plant Contributions Ohio Public Employee Retirement System – Combined Plan

### For the Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 4,007	\$ 4,205	\$ 3,676	\$ 3,219	\$ 2,598
Contributions in relation to the contractually required contribution	<u>(4,007)</u>	<u>(4,205)</u>	<u>(3,676)</u>	<u>(3,219)</u>	<u>(2,598)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plant covered payroll	\$ 28,619	\$ 30,036	\$ 26,257	\$ 22,990	\$ 19,987
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,281	\$ 2,000	\$ 2,139	\$ 2,061	\$ 1,456
Contributions in relation to the contractually required contribution	<u>(2,281)</u>	<u>(2,000)</u>	<u>(2,139)</u>	<u>(2,061)</u>	<u>(1,456)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plant covered payroll	\$ 19,010	\$ 16,663	\$ 17,822	\$ 15,854	\$ 14,556
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.00%	10.00%

See accompanying note to the required supplementary information

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information Schedule of the Plant's Proportionate Share of the Net OPEB Liability/Asset Ohio Public Employee Retirement System

### For the Last Five Years (1)

	2021	2020	2019	2018	2017
Plant's Proportion of the Net OPEB Liability/Asset	0.007601%	0.007861%	0.008140%	0.007848%	0.007634%
Plant's Proportionate Share of the Net OPEB Liability (Asset)	\$ (135,412)	\$ 1,085,818	\$ 1,061,244	\$ 852,235	\$ 771,059
Plant's Covered-Employee Payroll	\$ 1,155,338	\$ 1,193,385	\$ 1,161,111	\$ 1,115,901	\$ 1,095,476
Plant's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered-Employee Payroll	11.72%	90.99%	91.40%	76.37%	70.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	115.57%	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Amounts presented for each year were determined as of the Plant's measurement date which is December 31 of the prior year.

See accompanying note to the required supplementary information

# Rocky River Wastewater Treatment Plant

## Required Supplementary Information Schedule of the Plant OPEB Contributions Ohio Public Employee Retirement System

### For the Last Six Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually-Required Contribution	\$ 906	\$ 508	\$ 573	\$ 613	\$ 11,567
Contributions in Relation to the Contractually-Required Contribution	<u>(906)</u>	<u>(508)</u>	<u>(573)</u>	<u>(613)</u>	<u>(11,567)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Plant Covered Payroll	\$ 1,192,449	\$ 1,155,338	\$ 1,193,385	\$ 1,161,111	\$ 1,115,901
Contributions as a Percentage of Covered Payroll	0.08%	0.04%	0.05%	0.05%	1.04%

	<u>2016</u>
Contractually required contribution	\$ 22,320
Contributions in relation to the contractually required contribution	<u>(22,320)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
Plant covered payroll	\$ 1,095,476
Contributions as a percentage of covered payroll	2.04%

(1) Information prior to 2016 is not available.

# Rocky River Wastewater Treatment Plant

## Notes to Required Supplementary Information

### For the Year Ended December 31, 2021

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#### Note 1: Change in Assumptions – OPERS Pension Plans

During 2021, the OPERS Board lowered the investment rate of return from 7.2% to 6.9% along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

#### Key Methods and Assumptions in Valuing Total Pension Liability – 2021

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2020	December 31, 2020
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	0.50% Simple through 2021 then 2.15% Simple	0.50% Simple though 2021 then 2.15% Simple

#### Key Methods and Assumptions in Valuing Total Pension Liability – 2020

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2019	December 31, 2019
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple though 2020 then 2.15% Simple



# Rocky River Wastewater Treatment Plant

## Notes to Required Supplementary Information

### For the Year Ended December 31, 2021

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#### Note 1: Change in Assumptions – OPERS Pension Plans (continued)

##### Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2018	December 31, 2018
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

##### Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

# Rocky River Wastewater Treatment Plant

## Notes to Required Supplementary Information

### For the Year Ended December 31, 2021

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#### Note 1: Change in Assumptions – OPERS Pension Plans (continued)

#### Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Valuation Date	December 31, 2015	December 31, 2015
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.8% Simple	3% Simple though 2018 then 2.8% Simple

Mortality rates - Amounts reported beginning in 2017 use mortality rates based on the RP-2014. Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

# Rocky River Wastewater Treatment Plant

## Notes to Required Supplementary Information

### For the Year Ended December 31, 2021

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#### **Note 2: Change in Assumptions – OPERS OPEB Plan**

For 2021, the single discount rate changed from 3.16% in 2020 to 6.00%. For 2021, the municipal bond rate changed from 2.75% to 2.00%. For 2021, the health care cost trend rate changed from 10.5% initial, 3.5%, ultimate in 2030 to 8.5% initial, 3.5% ultimate in 2035.

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10% initial, 3.25%, ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

#### **Note 3: Change in Benefit Terms – OPERS OPEB Plan**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

# Rocky River Wastewater Treatment Plant

## Supplemental Information

### Schedule of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual

**For the Year Ended December 31, 2021**

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 5,507,000	\$ 5,507,000	\$ 5,354,800	\$ (152,200)
Other Revenues	2,400	2,400	49	(2,351)
Investment Revenue	2,117	2,000	402	(1,598)
Total Revenues	<u>5,511,517</u>	<u>5,511,400</u>	<u>5,355,251</u>	<u>(156,149)</u>
Expenses:				
Current:				
Personal Services:				
Salaries	1,345,800	1,345,800	1,298,568	47,232
Other	503,113	508,113	453,590	54,523
Contractual Services:				
Capital Outlay	1,431,040	2,384,490	1,631,122	753,368
Contractual Services	2,801,787	1,856,597	929,184	927,413
Materials and Supplies	544,082	513,822	465,136	48,686
Utilities	794,397	832,897	762,716	70,181
Landfill	354,102	337,602	286,280	51,322
Debt Service:				
Principal Retirement	882,232	882,232	877,930	4,302
Interest and Fiscal Charges	141,950	141,950	141,727	223
Total Expenses	<u>8,798,503</u>	<u>8,803,503</u>	<u>6,846,253</u>	<u>1,957,250</u>
Excess of Revenues (Under)				
Over Expenditures	(3,286,986)	(3,292,103)	(1,491,002)	1,801,101
Other Financing Sources:				
Sale of Capital Assets	1,000	1,000	0	(1,000)
Proceeds from Loans	3,005,588	2,839,385	370,260	(2,469,125)
Total Other Financing Sources	<u>3,006,588</u>	<u>2,840,385</u>	<u>370,260</u>	<u>(2,470,125)</u>
Net Change in Fund Equity	(280,398)	(451,718)	(1,120,742)	(669,024)
Fund Equity at Beginning of Year	3,918,670	3,918,670	3,918,670	0
Prior Year Encumbrances Appropriated	292,702	292,702	292,702	0
Fund Equity at End of Year	\$ <u>3,930,974</u>	\$ <u>3,759,654</u>	\$ <u>3,090,630</u>	\$ <u>(669,024)</u>

(continued)

See Accompanying Notes to the Supplementary Information.

# Rocky River Wastewater Treatment Plant

## Supplemental Information Schedule of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual (continued)

### For the Year Ended December 31, 2021

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The following table summarizes the adjustments necessary to reconcile the changes in Net Position to the changes in fund equity.

Change in Net Position	\$	562,611
Net Adjustments for Revenue Accruals		317,109
Net Adjustments for Expense Accruals		(2,026,609)
Depreciation Expense		1,684,781
Additions of Capital Assets		(559,459)
Encumbrances		<u>(1,099,175)</u>
Change in Fund Equity	\$	<u><u>(1,120,742)</u></u>

See Accompanying Notes to the Supplementary Information.

# Rocky River Wastewater Treatment Plant

## Notes to Supplemental Information

### For the Year Ended December 31, 2021

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#### **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 – 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 on the previous page presents the adjustments necessary to reconcile the Change in Net Position (GAAP basis) to the Net Change in Fund Equity (budgetary 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 Chair.

# JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To Members of the Management Committee  
Rocky River Wastewater Treatment Plant  
Rocky River, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements, and have issued our report thereon dated June 28, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Plant.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plant's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plant's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plant's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plant's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 28, 2022



**ROCKY RIVER WASTEWATER TREATMENT PLANT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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The prior audit report, as of December 31, 2020, included no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**ROCKY RIVER WASTEWATER TREATMENT PLANT  
CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 7/28/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)