



**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Management Committee:

We have audited the accompanying basic financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky River Wastewater Treatment Plant, as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2010, on our consideration of the Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenses, and Changes in Fund Equity – Budgetary (Non-GAAP Budgetary Basis) and Actual – Proprietary Fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 1, 2010

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited)

For The Year Ended December 31, 2009

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

The Management's Discussion and Analysis of the financial performance provides an overall review of the Plant's financial activities for the year ended December 31, 2009. The intent of this section is to look at the Plant's financial performance as a whole; readers should also review the Basic Financial Statements to enhance their understanding of the Plant's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Total cash and cash equivalents decreased \$755,033, which represents a 11.60 percent decrease from 2008.
- Total expenses were \$5,198,218, a \$517,200 increase from 2008.
- Outstanding debt decreased by \$212,155.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets answer the question "How did the Plant do financially during 2009?" These Statements present all assets and liabilities both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private – sector companies. The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2009

Table 1 provides a summary of the Plant's Net Assets for 2009 compared to 2008.

Table 1
Net Assets

	<u>2009</u>	<u>2008</u>
Assets		
Current and Other Assets	\$ 5,836,041	\$ 7,014,662
Capital Assets, Net	<u>31,579,296</u>	<u>31,028,240</u>
Total Assets	<u>37,415,337</u>	<u>38,042,902</u>
Liabilities		
Current Liabilities	1,177,992	1,699,071
Noncurrent Liabilities	<u>11,582,943</u>	<u>11,869,395</u>
Total Liabilities	<u>12,760,935</u>	<u>13,568,466</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	19,817,106	19,053,895
Unrestricted	<u>4,837,296</u>	<u>5,420,541</u>
Total Net Assets	<u>\$ 24,654,402</u>	<u>\$ 24,474,436</u>

The Plant's total Net Assets increased from a year ago. There was an increase of \$179,966 from \$24,474,436 to \$24,654,402.

The increase in Net Assets was primarily due to the increase in revenues from the Ohio Public Works Commission (OPWC) for expenses to be repaid with the grant and/or loan proceeds. The Capital Assets component increased by \$551,056 mainly due to the additions to Construction in Progress from the 2008-2009 Treatment Plant Improvements OPWC loan/grant.

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

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2009

Table 2 shows the changes in Net Assets for the year ended December 31, 2009 as well as revenue and expense comparisons for 2008.

Table 2
Revenues and Expenses

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Charges for Services	\$ 4,243,888	\$ 4,020,089
Other	2,147	8,069
Non-Operating Revenues		
Intergovernmental	1,077,794	440,699
Interest	<u>54,355</u>	<u>238,382</u>
 Total Revenues	 <u>5,378,184</u>	 <u>4,707,239</u>
 Operating Expenses		
Personal Services	1,472,371	1,396,053
Contractual Services	419,160	327,908
Materials and Supplies	562,631	379,655
Heat, Light and Power	774,021	673,367
Landfill	118,427	106,309
Depreciation	1,348,913	1,276,265
Non-Operating Expenses		
Interest and Fiscal Charges	<u>502,695</u>	<u>521,461</u>
 Total Expenses	 <u>5,198,218</u>	 <u>4,681,018</u>
 Increase (Decrease) in Net Assets	 179,966	 26,221
 Net Assets Beginning of Year	 <u>24,474,436</u>	 <u>24,448,215</u>
 Net Assets End of Year	 \$ <u><u>24,654,402</u></u>	 \$ <u><u>24,474,436</u></u>

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2009

Analysis of Overall Financial Position and Results of Operations

The primary reason for the difference between 2009 and 2008 change in net assets was due to an increase in intergovernmental revenues related to the Ohio Public Works Commission (OPWC) loans and grants.

Budgeting Highlights

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

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

During 2009, one supplemental appropriation for \$300,000 was approved to provide additional funds for capital asset acquisition purposes. The original budgeted revenues were \$8,124,943 and final budgeted revenues were \$8,159,943. The original appropriations were \$8,063,955 and final appropriations were \$8,363,955.

Capital Assets

Table 3 provides a summary of the Plant's capital assets for 2009 compared to 2008.

Table 3
Capital Assets

	<u>2009</u>	<u>2008</u>
Construction in Progress	\$ 2,499,548	\$ 744,175
Treatment Plant	28,993,091	30,175,203
Equipment and Vehicles	<u>86,657</u>	<u>108,862</u>
Totals	\$ <u>31,579,296</u>	\$ <u>31,028,240</u>

Capital assets increased by \$551,056 due to the increase in construction in progress for projects related to the plant improvements, which was offset by a depreciation expense of \$1,348,913. For more information on capital assets, see Note 8.

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2009

Debt

The Plant's debt consists of a 25-year loan from the Ohio Water Development Authority (OWDA) with an interest rate of 5.50 percent. The balance of the outstanding amount of the loan at December 31, 2009 is \$9,052,288. The Plant has two OPWC loans, each loan has a zero percent interest rate and an estimated term of 20-years. The balance of the outstanding amounts of the loans at December 31, 2009 is \$2,504,633. In 2009, the Plant began drawing down on a third zero percent OPWC loan for additional improvements. The Plant completed drawing down the grant portion, and the loan proceeds received were \$205,269. The Plant has no bonded indebtedness. See Note 9 for additional information on debt.

Current Financial Related Activities

In 2009, construction of a project described as WWTP Improvements 2008-2009 began early in the year and was nearly complete by year's end. This project received funding from the OPWC with a grant of \$1,542,416, a 20 year no-interest loan (estimated amount of \$1,028,277) and local funds will be provided for 25 percent of the total project in the amount of \$697,292.

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

A Plant repair project which was submitted funding through the American Recovery and Reinvestment Act, through the State of Ohio Environmental Protection Agency, received a grant award of \$29,197 (or 50% of the contract amount). Local funds from the Member Cities will provide the remainder of the contract cost. About 20% of the contract was complete as of year's end.

Contacting the Plant Finance Department

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

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Rocky River Wastewater Treatment Plant

Statement of Net Assets Proprietary Fund December 31, 2009

Assets:

Current Assets:

Cash and Cash Equivalents	\$	5,751,754
Accrued Interest Receivable		13,016
Intergovernmental Receivable		1,145
Materials and Supplies Inventory		<u>70,126</u>

Total Current Assets 5,836,041

Noncurrent Assets:

Capital Assets:

Construction in Progress		2,499,548
Treatment Plant		52,674,221
Equipment		349,782
Vehicles		37,530
Less: Accumulated Depreciation		<u>(23,981,785)</u>

Total Non-Current Assets 31,579,296

Total Assets 37,415,337

Liabilities:

Current Liabilities:

Accounts Payable		152,923
Accrued Wages and Benefits		58,332
Intergovernmental Payable		66,449
Matured Compensated Absences Payable		25,067
Compensated Absences Payable		34,324
Retainage Payable		97,360
Accrued Interest Payable		248,938
OPWC Loans Payable		129,498
OWDA Loans Payable		<u>365,101</u>

Total Current Liabilities 1,177,992

Noncurrent Liabilities:

Compensated Absences Payable (Net of Current Portion)		315,352
OPWC Loans Payable (Net of Current Portion)		2,580,404
OWDA Loans Payable (Net of Current Portion)		<u>8,687,187</u>

Total Noncurrent Liabilities 11,582,943

Total Liabilities 12,760,935

Net Assets:

Invested in Capital Assets, Net of Related Debt		19,817,106
Unrestricted		<u>4,837,296</u>

Total Net Assets \$ 24,654,402

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Fund For the year ended December 31, 2009

Operating Revenues:	
Charges for Services	\$ 4,243,888
Other Revenues	<u>2,147</u>
Total Operating Revenues	<u>4,246,035</u>
Operating Expenses:	
Personal Services	1,472,371
Contractual Services	419,160
Materials and Supplies	562,631
Heat, Light and Power	774,021
Landfill	118,427
Depreciation	<u>1,348,913</u>
Total Operating Expenses	<u>4,695,523</u>
Operating Loss	<u>(449,488)</u>
Non-Operating Revenues and (Expenses):	
Intergovernmental	1,077,794
Interest Revenue	54,355
Interest and Fiscal Charges	<u>(502,695)</u>
Total Non-Operating Revenues (Expenses)	<u>629,454</u>
Change in Net Assets	179,966
Net Assets at Beginning of Year	<u>24,474,436</u>
Net Assets at End of Year	\$ <u><u>24,654,402</u></u>

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Cash Flows

Proprietary Fund

For the year ended December 31, 2009

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$	4,243,888
Cash Received from Other Operating Sources		2,147
Cash Payments to Suppliers for Goods and Services		(2,501,858)
Cash Payments for Employee Services and Benefits		<u>(1,438,627)</u>

Net Cash Provided by Operating Activities 305,550

Cash Flows from Capital and Related Financing Activities:

Proceeds from Capital Debt		205,269
Intergovernmental Capital Grant		1,380,080
Acquisition of Capital Assets		(1,899,969)
Principal Paid on OWDA Loan		(345,818)
Principal Paid on OPWC Loan		(71,606)
Interest Paid on OWDA Loan		<u>(512,205)</u>

Net Cash Used for Capital and Related Financing Activities (1,244,249)

Cash Flows from Investing Activities:

Interest Received		<u>183,666</u>
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Net Decrease in Cash and Cash Equivalents (755,033)

Cash and Cash Equivalents, Beginning of Year 6,506,787

Cash and Cash Equivalents, End of Year \$ 5,751,754

(Continued)

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Statement of Cash Flows (Continued)

Proprietary Fund

For the year ended December 31, 2009

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

Operating Loss	\$	(449,488)
Adjustments:		
Depreciation		1,348,913
Changes in Assets/Liabilities:		
Increase in Inventory		(8,009)
Decrease in Accounts Payable		(550,768)
Increase in Accrued Wages and Benefits		11,941
Increase in Matured Compensated Absences Payable		25,067
Increase in Compensated Absences		6,424
Decrease in Retainage Payable		(46,602)
Decrease in Intergovernmental Payable		<u>(31,928)</u>
Net Cash Provided by Operating Activities:	\$	<u>305,550</u>

The accompanying notes are an integral part of these financial statements

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements

For The Year Ended December 31, 2009

Note 1: Description of the Plant and Reporting Entity

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

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

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

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

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

<u>Year</u>	<u>Average Daily Flow</u>	<u>Largest Flow in 24 Hour Period</u>	<u>Peak Flow Rate</u>	<u>Total Wastewater Treated</u>
2009	12.10	52.87	118.7	4,417
2008	13.74	78.34	136.2	5,030
2007	12.94	58.43	139.1	4,730
2006	11.51	68.70	127.5	4,195
2005	12.40	60.50	109.8	4,526

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

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

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

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

Component units are legally separate organizations for which the Plant is financially accountable. The Plant is financially accountable for an organization if the Plant appoints a voting majority of the organization's governing board and (1) the Plant is able to significantly influence the programs or services performed or provided by the organization; or (2) the Plant is legally entitled to or can otherwise access the organization's resources; the Plant is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Plant is obligated for the debt of the organization.

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

The Plant charges each Member City for wastewater treatment services in accordance with the 1982 organizing agreement, as amended. Such charges are allocated based upon each Member City's relative treatment plant usage as determined by a periodic flow quantity and strength study. The following percentages represent the Member City's allocation of Plant expenditures at December 31, 2009.

Bay Village	15.43%
Fairview Park	15.75
Rocky River	29.40
Westlake	<u>39.42</u>
Total	<u>100.00%</u>

The flow quantity and strength study that established the above listed rates was completed in November 2006. The continued existence of the Plant is dependent upon the participation of each Member City.

Note 2: Summary of Significant Accounting Policies

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

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

Cash balances are managed by the Director of Finance of the City of Rocky River, the Plant's fiscal agent, in separate bank accounts and may be used to purchase short term investments. The balances in these accounts are presented on the Statement of Net Assets as "Cash and Cash Equivalents" and represent deposits. During 2009, investments were limited to nonnegotiable certificates of deposit and STAROhio which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2009.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents (continued)

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

E. Inventory

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

F. Capital Assets

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

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

Treatment Plant	40 years
Equipment	5 years
Vehicles	5 years

G. Capitalization of Interest

The Plant will capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2009, the Plant did not capitalize interest.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Plant will compensate the employees for the benefits through paid time off or some other means. The Plant records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service. Accrued vacation is paid to employees as paid time off or at the time of termination.

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

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

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either by policy adopted by the Management Committee or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Plant applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Plant did not have any restricted net assets as of December 31, 2009.

J. Operating Revenues and Expenses

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

K. Estimates

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

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 3: Changes in Accounting Principles

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the financial statements.

Note 4: Deposits and Investments

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

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

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

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 4: Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Plant's deposits may not be returned to it. Protection of the Plant's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Plant funds shall be required to pledge security for repayment of all public moneys deposited with the institution.

At year-end, the carrying amount of the Plant's deposits was \$5,751,754 and the bank balance was \$5,613,152. Of the bank balance \$1,140,796 was covered by Federal depository insurance and \$4,472,356 was uninsured. The entire uninsured bank balance was collateralized with securities held by pledging institutions' agents in its collateral pool.

Investments

Investments are reported at fair value. As of December 31, 2009, the Plant had no investments.

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

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

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

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

Note 5: Receivables

Receivables at December 31, 2009, consist of accrued interest and intergovernmental receivables for reimbursement of OPWC loan expenditures.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 6: Risk Management

The Plant is exposed to various risks related to damage to, theft of and destruction of assets; torts; errors and omissions; natural disasters; and injuries to employees. During 2009, the Plant obtained insurance to manage these and other risks. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

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

Note 7: Contingent Liabilities

There were no legal proceedings seeking damages against the Plant as of December 31, 2009. Plant management is not aware any pending claims, asserted or unasserted, as of December 31, 2009.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 8: Capital Assets

Capital Asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/09</u>
Capital Assets, not being Depreciated:				
Construction in Progress	\$ <u>744,175</u>	\$ <u>1,887,415</u>	\$ <u>(132,042)</u>	\$ <u>2,499,548</u>
Capital Assets, being Depreciated:				
Treatment Plant	52,542,179	132,042	0	52,674,221
Equipment	337,228	12,554	0	349,782
Vehicles	<u>37,530</u>	<u>0</u>	<u>0</u>	<u>37,530</u>
Total Capital Assets, being Depreciated	<u>52,916,937</u>	<u>144,596</u>	<u>0</u>	<u>53,061,533</u>
Less Accumulated Depreciation:				
Treatment Plant	(22,366,976)	(1,314,154)	0	(23,681,130)
Equipment	(252,783)	(27,253)	0	(280,036)
Vehicles	<u>(13,113)</u>	<u>(7,506)</u>	<u>0</u>	<u>(20,619)</u>
Total Accumulated Depreciation	<u>(22,632,872)</u>	<u>(1,348,913)</u>	<u>0</u>	<u>(23,981,785)</u>
Total Capital Assets, being Depreciated, Net	<u>30,284,065</u>	<u>(1,204,317)</u>	<u>0</u>	<u>29,079,748</u>
Total Capital Assets, Net	\$ <u><u>31,028,240</u></u>	\$ <u><u>683,098</u></u>	\$ <u><u>(132,042)</u></u>	\$ <u><u>31,579,296</u></u>

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 9: Long-Term Obligations

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

	Outstanding 12/31/08	Additions	Deletions	Outstanding 12/31/09	Amounts Due in One Year
2000 5.50% \$11,344,496 OWDA Loan – Matures 7/1/25	\$ 9,398,106	\$ 0	\$ (345,818)	\$ 9,052,288	\$ 365,101
0.00% OPWC Trickling Filter Recycle Pump Replacement	260,558	0	(13,714)	246,844	13,714
WWTP Improvements	2,315,681	0	(57,892)	2,257,789	115,784
WWTP Improvements 2008/2009	0	205,269	0	205,269	0
Compensated Absences Payable	<u>343,252</u>	<u>104,714</u>	<u>(98,290)</u>	<u>349,676</u>	<u>34,324</u>
Total	\$ <u>12,317,597</u>	\$ <u>309,983</u>	\$ <u>(515,714)</u>	\$ <u>12,111,866</u>	\$ <u>528,923</u>

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2009, are as follows:

Year	OWDA Loan		OWPC Loans		Total
	Principal	Interest	Trick Filter	Improvements	
2010	\$ 365,101	\$ 492,923	\$ 13,714	\$ 115,784	\$ 987,522
2011	385,456	472,568	13,714	115,784	987,522
2012	406,948	451,076	13,714	115,784	987,522
2013	429,638	428,386	13,714	115,784	987,522
2014	453,593	404,431	13,714	115,784	987,522
2015-2019	2,676,731	1,613,386	68,570	578,921	4,937,608
2020-2024	3,510,937	779,180	68,570	578,921	4,937,608
2025-2029	<u>823,884</u>	<u>34,144</u>	<u>41,134</u>	<u>521,027</u>	<u>1,420,189</u>
Total	\$ <u>9,052,288</u>	\$ <u>4,676,094</u>	\$ <u>246,844</u>	\$ <u>2,257,789</u>	\$ <u>16,233,015</u>

During 2007, the Plant obtained approval for an Ohio Public Works Commission (OPWC) loan to be repaid in semi-annual principal payments of approximately \$25,707 beginning in July 2010 for an estimated 20 years. OPWC has authorized this loan up to \$1,028,277. The Plant has not yet collected all of the proceeds to be received on this loan and as a result, the debt maturity schedule above does not reflect any amounts for principal. When the loan is finalized, the principal will be included above.

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

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

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

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 10: Related Party Transactions

Since the continued existence of the Plant is dependent upon the participation of each member city, all transactions between the Plant and each member city are considered related party transactions. The Plant's transactions during 2009 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 2009 consists of amounts charged to the member cities for wastewater treatment services provided to the member cities' residents and contributions to the Plant for plant and equipment replacement, as follows:

	Charges for Services	Contributions
Bay Village	\$ 645,575	\$ 98,135
Fairview Park	678,802	100,170
Rocky River	1,243,602	186,984
Westlake	1,675,909	250,711
Total	\$ <u>4,243,888</u>	\$ <u>636,000</u>

B. Lease of Land

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

Note 11: Pension Plan

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for these ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 11: Pension Plan (continued)

For 2009, the member and employer contribution rates were consistent across all three plans. For the year ended, December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries to fund pension obligations. The Plant contributed 14.0 percent of covered payroll, of which 7.0 percent from January 1 through March 31 and 5.5 percent from April 1 through December 31 was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Plant's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$87,224, \$72,997, and \$82,889, respectively, 88.77 percent has been contributed for 2009, 100 percent for 2008 and 86.42 percent for 2007. There were no contributions to the member-directed plan for 2009.

Note 12: Postemployment Benefits

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

In order to qualify for post-retirement health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, the Plant contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2009

Note 12: Postemployment Benefits (continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0 percent from January 1 through March 31 and 5.5 percent from April 1 through December 31 of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Plant's contributions for health care for the years ended December 31, 2009, 2008, and 2007 were \$63,424, \$72,997, and \$54,856, respectively; 88.77 percent has been contributed for 2009, 100 percent for 2008 and 86.42 percent for 2007.

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

Note 13: Contractual Commitments

At December 31, 2009, the Plant's significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Floor Repair, Contractor	\$ 58,393	\$ 0	\$ 58,393
Floor Repair, Engineering	15,000	10,441	4,559
Plant Improvements, Contractor	2,434,000	1,726,392	707,608
Plant Improvements, Engineering	355,168	334,309	20,859
Settled Sewage Pump Evaluation, Engineering	<u>45,423</u>	<u>26,509</u>	<u>18,914</u>
Total	\$ <u>2,907,984</u>	\$ <u>2,097,651</u>	\$ <u>810,333</u>

Note 14: Compliance

In 2009, the Plant exceeded the National Pollution Discharge Elimination System (NPDES) limit for the weekly effluent loading average limit (1 violation) for suspended solids during the month of February. This limit violation was due to high flows to the Plant during an extreme snow melt/rain event.

The Plant was not able to continuously monitor the effluent minimum and maximum pH on October 18, 2009 due to a broken probe. There were two apparent monitoring violations.

**Rocky River Wastewater Treatment Plant
Supplemental Information
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund
For The Year Ended December 31, 2009**

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 5,179,613	\$ 5,179,613	\$ 4,243,888	\$ (935,725)
Other Income	2,500	2,500	2,147	(353)
Intergovernmental	2,567,561	2,567,561	1,380,080	(1,187,481)
Investment Income	<u>170,000</u>	<u>205,000</u>	<u>183,666</u>	<u>(21,334)</u>
Total Revenues	<u>7,919,674</u>	<u>7,954,674</u>	<u>5,809,781</u>	<u>(2,144,893)</u>
Expenses:				
Personal Services	1,461,817	1,461,817	1,438,627	23,190
Contractual Services	981,840	947,840	493,466	454,374
Materials and Supplies	712,038	712,538	487,664	224,874
Heat, Light and Power	815,836	815,836	732,418	83,418
Landfill	242,679	207,179	51,917	155,262
Capital Outlay	2,862,134	3,231,134	1,536,808	1,694,326
Debt Service:				
Principal Retirement	475,405	475,405	417,424	57,981
Interest and Fiscal Charges	<u>512,206</u>	<u>512,206</u>	<u>512,205</u>	<u>1</u>
Total Expenses	<u>8,063,955</u>	<u>8,363,955</u>	<u>5,670,529</u>	<u>2,693,426</u>
Excess Revenues (Over) Expenses	(144,281)	(409,281)	139,252	548,533
Other Financing Sources (Uses):				
Proceeds from issuance of OPWC Loan	<u>205,269</u>	<u>205,269</u>	<u>205,269</u>	<u>0</u>
Net Change in Fund Equity	60,988	(204,012)	344,521	548,533
Fund Equity at Beginning of Year	3,302,430	3,302,430	3,302,430	0
Prior Year Encumbrances Appropriated	<u>3,204,357</u>	<u>3,204,357</u>	<u>3,204,357</u>	<u>0</u>
Fund Equity at End of Year	\$ <u><u>6,567,775</u></u>	\$ <u><u>6,302,775</u></u>	\$ <u><u>6,851,308</u></u>	\$ <u><u>548,533</u></u>

(Continued)

Rocky River Wastewater Treatment Plant
Supplemental Information
Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund (Continued)
For The Year Ended December 31, 2009

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

Change in Net Assets	\$ 179,966
Net Adjustments for Revenue Accruals	(635,134)
Net Adjustments for Expense Accruals	(1,622,478)
Depreciation Expense	1,348,913
Capital Outlay	1,536,808
Capital Contributions	636,000
Encumbrances	<u>(1,099,554)</u>
Change in Fund Equity	\$ <u>344,521</u>

Rocky River Wastewater Treatment Plant

Notes to Supplemental Information

For The Year Ended December 31, 2009

Note 1: Budgetary Basis of Accounting

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

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

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

Note 2: Budgetary Data

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

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

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

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



Mary Taylor, CPA

Auditor of State

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

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

To the Management Committee:

We have audited the basic financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio, (the Plant) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Plant's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Plant's management in a separate letter dated June 1, 2010.

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

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

Mary Taylor, CPA
Auditor of State

June 1, 2010



Mary Taylor, CPA
Auditor of State

**ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2010**