

**Rocky River Wastewater
Treatment Plant
Cuyahoga County**

**Regular Audit
For the year ended December 31, 2011**



Dave Yost • Auditor of State

Rocky River Wastewater Treatment Plant
Management Committee
21012 Hilliard Boulevard
Rocky River, OH 44116

We have reviewed the basic financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 2, 2012

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Rocky River Wastewater Treatment Plant

For The Year Ended December 31, 2011

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Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Rocky River Wastewater Treatment Plant (the "Plant"), as of and for the year ended December 31, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 the Plant, as of December 31, 2011, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the Plant implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, 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.

Cimini & Panichi, Inc.

Cleveland, Ohio
June 27, 2012

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited)

For The Year Ended December 31, 2011

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

The Management's Discussion and Analysis of the financial performance provides an overall review of the Plant's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- Total cash and cash equivalents decreased \$730,193, which represents a 13.48 percent decrease from 2010.
- Total expenses were \$5,026,414, a \$107,792 increase from 2010.
- Outstanding debt decreased by \$533,380.

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 2011?" 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, 2011

Table 1 provides a summary of the Plant's Net Assets for 2011 compared to 2010.

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 5,068,610	\$ 5,710,725
Capital Assets, Net	<u>29,823,954</u>	<u>30,518,620</u>
Total Assets	<u>34,892,564</u>	<u>36,229,345</u>
Liabilities		
Current Liabilities	1,159,896	1,019,339
Noncurrent Liabilities	<u>10,648,839</u>	<u>11,233,804</u>
Total Liabilities	<u>11,808,735</u>	<u>12,253,143</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	18,926,487	19,087,773
Unrestricted	<u>4,157,342</u>	<u>4,888,429</u>
Total Net Assets	\$ <u>23,083,829</u>	\$ <u>23,976,202</u>

The Plant's total Net Assets decreased from a year ago. There was a decrease of \$892,373 from \$23,976,202 to \$23,083,829.

The decrease in Net Assets was primarily due having greater expenditures then revenues received. The Capital Assets, Net component decreased by \$694,666 mainly due to depreciation being taken on assets.

The total liabilities decrease was mainly due to the payments made on Plant loans.

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2011

Table 2 shows the changes in Net Assets for the year ended December 31, 2011 as well as revenue and expense comparisons to 2010.

Table 2
Revenues and Expenses

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for Services	\$ 4,119,660	\$ 4,182,952
Other Revenues	1,742	2,578
Non-Operating Revenues		
Intergovernmental	0	28,069
Interest Revenue	<u>12,639</u>	<u>26,823</u>
Total Revenues	<u>4,134,041</u>	<u>4,240,422</u>
Operating Expenses		
Personal Services	1,403,907	1,399,186
Contractual Services	508,239	466,197
Materials and Supplies	454,884	414,047
Heat, Light and Power	606,288	610,604
Landfill	154,046	181,438
Depreciation	1,437,083	1,364,266
Non-Operating Expenses		
Interest and Fiscal Charges	<u>461,967</u>	<u>482,884</u>
Total Expenses	<u>5,026,414</u>	<u>4,918,622</u>
Decrease in Net Assets	(892,373)	(678,200)
Net Assets Beginning of Year	<u>23,976,202</u>	<u>24,654,402</u>
Net Assets End of Year	\$ <u><u>23,083,829</u></u>	\$ <u><u>23,976,202</u></u>

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2011

Analysis of Overall Financial Position and Results of Operations

The primary reason for the difference between 2011 and 2010 change in net assets was the excess of expenditures over revenue. There was a slight increase in overall expenditures, as well as, a decrease in revenues. The Plant had expenditure classes which fluctuated both directions with increases and decreases depending on the activity for the 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 2011, one supplemental appropriation for \$30,000 was approved to provide additional funds for personnel services. The original and final budgeted revenues were \$4,353,263. The original appropriations were \$6,653,114 and final appropriations were \$6,683,114.

Capital Assets

Table 3 provides a summary of the Plant's capital assets, net of accumulated depreciation, for 2011 compared to 2010.

Table 3
Capital Assets, Net

	<u>2011</u>	<u>2010</u>
Construction in Progress	\$ 339,972	\$ 134,577
Treatment Plant	29,386,366	30,277,326
Equipment and Vehicles	<u>97,616</u>	<u>106,717</u>
Totals	\$ <u>29,823,954</u>	\$ <u>30,518,620</u>

Capital assets, net decreased by \$694,666 due to the net of depreciation against additions. For more information on capital assets, see Note 8 to the basic financial statements.

Rocky River Wastewater Treatment Plant

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

For The Year Ended December 31, 2011

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, 2011 is \$8,301,732. The Plant has three Ohio Public Works Commission (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, 2011 is \$2,595,735. The Plant has no bonded indebtedness. See Note 9 for additional information on debt.

Current Financial Related Activities

During 2011, no new significant capital project improvements were undertaken. The Plant consulting engineer, under the direction of the Plant Superintendent undertook to study further Plant efficiency and effectiveness. Process enhancement was achieved through a settled sewage pump replacement and the installation of a back-up pump station to mitigate overflows during heavy flow periods. In addition, a paving project completed in 2011 improved the Member Cities access to a sanitary sewer dewatering pit.

In 2011, the Management Committee approved a Fourth Amendment to the Plant organizing agreement. The intent of this amendment was to address access to Plant property for Member Cities' maintenance of their interceptors within the Plant property. The result was a reimbursement paid to the City of Westlake. See Note 10 to the financial statements.

Contacting the Plant Finance Department

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

Rocky River Wastewater Treatment Plant

Statement of Net Assets

December 31, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$	4,685,869
Accounts Receivable		319,395
Accrued Interest Receivable		2,516
Materials and Supplies Inventory		<u>60,830</u>

Total Current Assets 5,068,610

Noncurrent Assets:

Capital Assets:

Construction in Progress		339,972
Treatment Plant		55,767,448
Equipment		462,138
Vehicles		37,530
Less: Accumulated Depreciation		<u>(26,783,134)</u>

Total Non-Current Assets 29,823,954

Total Assets 34,892,564

Liabilities:

Current Liabilities:

Accounts Payable		287,321
Accrued Wages and Benefits		13,442
Intergovernmental Payable		27,867
Retainage Payable		13,209
Compensated Absences Payable		34,886
Accrued Interest Payable		228,298
OPWC Loans Payable		147,924
OWDA Loans Payable		<u>406,949</u>

Total Current Liabilities 1,159,896

Noncurrent Liabilities:

Compensated Absences Payable (Net of Current Portion)		306,245
OPWC Loans Payable (Net of Current Portion)		2,447,811
OWDA Loans Payable (Net of Current Portion)		<u>7,894,783</u>

Total Noncurrent Liabilities 10,648,839

Total Liabilities 11,808,735

Net Assets:

Invested in Capital Assets, Net of Related Debt		18,926,487
Unrestricted		<u>4,157,342</u>

Total Net Assets \$ 23,083,829

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 Assets

For The Year Ended December 31, 2011

Operating Revenues:	
Charges for Services	\$ 4,119,660
Other Revenues	<u>1,742</u>
Total Operating Revenues	<u>4,121,402</u>
Operating Expenses:	
Personal Services	1,403,907
Contractual Services	508,239
Materials and Supplies	454,884
Heat, Light and Power	606,288
Landfill	154,046
Depreciation	<u>1,437,083</u>
Total Operating Expenses	<u>4,564,447</u>
Operating Loss	<u>(443,045)</u>
Non-Operating Revenues and (Expenses):	
Interest Revenue	12,639
Interest and Fiscal Charges	<u>(461,967)</u>
Total Non-Operating Revenues (Expenses)	<u>(449,328)</u>
Change in Net Assets	(892,373)
Net Assets at Beginning of Year	<u>23,976,202</u>
Net Assets at End of Year	\$ <u><u>23,083,829</u></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, 2011

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$	4,016,415
Cash Received from Other Operating Sources		1,742
Cash Payments to Suppliers for Goods and Services		(1,734,372)
Cash Payments for Employee Services and Benefits		<u>(1,447,134)</u>

Net Cash Provided by Operating Activities 836,651

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets		(580,719)
Principal Paid on OWDA Loan		(385,456)
Principal Paid on OPWC Loan		(147,924)
Interest Paid on OWDA Loan		<u>(472,567)</u>

Net Cash Used for Capital and Related Financing Activities (1,586,666)

Cash Flows from Investing Activities:

Interest Received		<u>19,822</u>
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Net Decrease in Cash and Cash Equivalents (730,193)

Cash and Cash Equivalents, Beginning of Year 5,416,062

Cash and Cash Equivalents, End of Year \$ 4,685,869

(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, 2011

Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities:

Operating Loss	\$	(443,045)
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Adjustments:

Depreciation		1,437,083
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Changes in Assets/Liabilities:

Increase in Accounts Receivable		(103,245)
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Decrease in Inventory		7,984
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Decrease in Accounts Payable		(20,182)
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Decrease in Accrued Wages and Benefits		(5,114)
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Decrease in Compensated Absences		(26,924)
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Decrease in Intergovernmental Payable		<u>(9,906)</u>
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Net Cash Provided by Operating Activities:	\$	<u><u>836,651</u></u>
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Supplemental Schedule of Non-Cash Capital and Related Financing Activities:

Increase in Capital Assets due to Accounts and Retainage Payable	\$	161,698
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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, 2011

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 City of Bay Village, the City of Fairview Park, the City of Rocky River and the City of 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. Also, the Member Cities adopted Operating By-Laws in July 1982.

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

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

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

<u>Year</u>	<u>Average Daily Flow</u>	<u>Largest Flow in 24 Hour Period</u>	<u>Peak Influent Flow Rate</u>	<u>Total Wastewater Treated</u>
2011	18.07	81.54	145.4	6,595
2010	12.03	46.95	82.3	4,392
2009	12.10	52.87	118.7	4,417
2008	13.74	78.34	136.2	5,030
2007	12.94	58.43	139.1	4,730

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

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

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

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

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

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

The Plant charges each Member City for wastewater treatment services in accordance with the 1982 organizing agreement, as amended. Such charges are allocated based upon each Member City's relative treatment plant usage as determined by a periodic flow quantity and strength study. The following percentages represent the Member City's allocation of Plant expenditures for the year ended December 31, 2011.

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

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

Note 2: Summary of Significant Accounting Policies

The financial statements of the Plant have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Plant also applies Financial Accounting Standards Board (FASB) statements and interpretations issued before 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, 2011

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 Revenues, Expenses and 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. 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.

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 2011, investments were limited to non-negotiable 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, 2011.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

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 estimated 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 2011, the Plant did not capitalize any interest.

H. Compensated Absences

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

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 2: Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

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.

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, 2011.

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.

L. Subsequent Events

In preparing these financial statements, the Plant has evaluated events and transactions for potential recognition or disclosure through June 27, 2012, the date the financial statements were issued.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 3: Changes in Accounting Principles

For fiscal year 2011, the Plant implemented Governmental Accounting Standards Board (“GASB”) Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Plant has no such investments and thus, the implementation of this Statement has no impact on the Plant’s financial statements or 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 Rev. Code Chapter 135: Uniform Depository Act.

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

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

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 \$4,685,869 and the bank balance was \$4,726,462. Of the bank balance \$1,626,766 was covered by federal depository insurance and \$3,099,696 was uninsured. The entire uninsured bank balance was collateralized with securities held by pledging institutions’ agents in its collateral pool.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 5: Receivables

Receivables at December 31, 2011, consist of accrued interest and accounts receivable from the City of Rocky River for three months of their monthly expenses.

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 2011, 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, 2011. Plant management is not aware of any pending claims, asserted or unasserted, as of December 31, 2011.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 8: Capital Assets

Capital Asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/11</u>
Capital Assets, not being Depreciated:				
Construction in Progress	\$ <u>134,577</u>	\$ <u>460,925</u>	\$ <u>(255,530)</u>	\$ <u>339,972</u>
Capital Assets, being Depreciated:				
Treatment Plant	55,275,911	491,537	0	55,767,448
Equipment	416,653	45,485	0	462,138
Vehicles	<u>37,530</u>	<u>0</u>	<u>0</u>	<u>37,530</u>
Total Capital Assets, being Depreciated	<u>55,730,094</u>	<u>537,022</u>	<u>0</u>	<u>56,267,116</u>
Less Accumulated Depreciation:				
Treatment Plant	(24,998,585)	(1,382,497)	0	(26,381,082)
Equipment	(319,341)	(47,080)	0	(366,421)
Vehicles	<u>(28,125)</u>	<u>(7,506)</u>	<u>0</u>	<u>(35,631)</u>
Total Accumulated Depreciation	<u>(25,346,051)</u>	<u>(1,437,083)</u>	<u>0</u>	<u>(26,783,134)</u>
Total Capital Assets, being Depreciated, Net	<u>30,384,043</u>	<u>(900,061)</u>	<u>0</u>	<u>29,483,982</u>
Total Capital Assets, Net	\$ <u>30,518,620</u>	\$ <u>(439,136)</u>	\$ <u>(255,530)</u>	\$ <u>29,823,954</u>

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 9: Long-Term Obligations

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

	Outstanding 12/31/10	Additions	Deletions	Outstanding 12/31/11	Amounts Due in One Year
2000 5.50% \$11,582,103					
OWDA Loan – Matures 7/1/25	\$ 8,687,188	\$ 0	\$ (385,456)	\$ 8,301,732	\$ 406,949
0.00% OPWC					
Trickling Filter Recycle Pump Replacement	233,130	0	(13,714)	219,416	13,714
WWTP Improvements	2,142,005	0	(115,784)	2,026,221	115,784
WWTP Improvements 2008/2009	368,524	0	(18,426)	350,098	18,426
Compensated Absences Payable	368,055	122,924	(149,848)	341,131	34,886
Total	\$ 11,798,902	\$ 122,924	\$ (683,228)	\$ 11,238,598	\$ 589,759

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2011, are as follows:

Year	OWDA Loan		OPWC Loans			Total
	Principal	Interest	Trick Filter	Improvements	Improvements 2008 - 2009	
2012	\$ 406,949	\$ 451,075	\$ 13,714	\$ 115,784	\$ 18,426	\$ 1,005,948
2013	429,638	428,386	13,714	115,784	18,426	1,005,948
2014	453,593	404,431	13,714	115,784	18,426	1,005,948
2015	478,884	379,140	13,714	115,784	18,426	1,005,948
2016	505,585	352,439	13,714	115,784	18,426	1,005,948
2017-2021	2,983,540	1,306,580	68,570	578,921	92,130	5,029,741
2022-2026	3,043,543	388,551	68,570	578,921	92,130	4,171,715
2027-2030	0	0	13,706	289,459	73,708	376,873
Total	\$ 8,301,732	\$ 3,710,602	\$ 219,416	\$ 2,026,221	\$ 350,098	\$ 14,608,069

In July 2001, the Ohio Water Development Authority (OWDA) finalized a loan for Plant expansion totaling \$11,582,103. The loan is being repaid in semi-annual installments of \$429,012 beginning in July 2001, over 24 years, ending in 2025 at 5.5 percent interest.

In September 2007, 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 semi-annual installments of approximately \$6,857 over an estimated 20 years, ending in 2027.

In January 2009, OPWC finalized a 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 an estimated 20 years, ending in 2029.

In May 2010, OPWC finalized a 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 an estimated 20 years, ending in 2030.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

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 2011 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 2011 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 total charges for services and contributions to the Plant are as follows:

	Charges for Services	Contributions
Bay Village	\$ 659,585	\$ 104,018
Fairview Park	735,115	113,621
Rocky River	1,064,653	161,735
Westlake	<u>1,660,307</u>	<u>256,626</u>
Total	<u>\$ 4,119,660</u>	<u>\$ 636,000</u>

As of December 31, 2011, the City of Rocky River owed the Plant \$319,395 for the charges discussed above which is recorded as Accounts Receivable in the Statement of Net Assets.

Pursuant to the Fourth Amendment to the Plant organizing agreement entered into by the Member Cities on October 20, 2011, the Plant made a reimbursement payment to the City of Westlake for \$140,004 in November of 2011.

Also, the Plant expects to reimburse the City of Bay Village for certain repair or maintenance of the interceptor or other sanitary pipe undertaken in 2011 by that City within the Plant property.

Based on a project estimate provided by the AECOM, Inc., Plant's consulting engineer, the reimbursement request is expected not to exceed \$50,000; such amount is not recognized in the accompanying financial statements as it is conditional on certain conditions. Said Fourth Amendment provides that "[A] written notice of such cost shall be sent to the [Plant] at least one hundred eighty (180) days before payment shall be made." Also, "[P]ayment of such cost shall be conditioned upon review and approval of the [Plant] consulting engineer."

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.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 11: Pension Plan

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

OPERS provides retirement, disability, 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, by calling (614) 222-5601 or 800-222-7377 or visiting <https://www.opers.org/investments/cafr.shtml>.

For 2011, the member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2011, 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 4.0 percent for traditional plan members and 6.05 percent for members of the combined plan was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Plant's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$111,673, \$104,132, and \$87,224, respectively; 98.8 percent has been contributed for 2011, 100 percent for 2010 and 2009. There were no contributions to the member-directed plan for 2011.

Note 12: Post-employment Benefits

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care 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.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 12: Post-employment Benefits (continued)

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

The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 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.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to the health care plan for members of the traditional plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members of the combined plan was 6.05 percent during the calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. 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, 2011, 2010, and 2009 were \$44,669, \$59,528, and \$63,424, respectively; 98.8 percent has been contributed for 2011, 100 percent for 2010 and 2009.

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.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For The Year Ended December 31, 2011

Note 13: Contractual Commitments

At December 31, 2011, the Plant's significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Miscellaneous Projects, Engineering	\$ 543,853	\$ 501,272	\$ 42,581
SCADA Computer System Repair	7,000	2,635	4,365
Settled Sewage Pump Station, Construction	649,704	0	649,704
Settled Sewage Pump Station, Engineering	<u>124,946</u>	<u>104,585</u>	<u>20,361</u>
Total	\$ <u>1,325,503</u>	\$ <u>608,492</u>	\$ <u>717,011</u>

Note 14: Compliance

There were no reporting or NPDES Permit limit violations during 2011.

During 2011, the Plant operated under an NPDES permit that had been administratively extended for the period August 1, 2010 to December 31, 2011. U. S. Environmental Protection Agency regulations provide that if a Clean Water Act permit is past its expiration date it means the permitting authority (State of Ohio Environmental Protection Agency) has not yet issued a new permit and the expired permit is administratively extended and kept in effect until the new permit is issued. The Plant was notified that its NPDES permit has been reissued for the period January 1, 2012 to July 31, 2016.

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, 2011

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 4,296,763	\$ 4,296,763	\$ 4,016,415	\$ (280,348)
Other Income	32,500	32,500	1,742	(30,758)
Investment Income	24,000	24,000	19,822	(4,178)
Total Revenues	<u>4,353,263</u>	<u>4,353,263</u>	<u>4,037,979</u>	<u>(315,284)</u>
Expenses:				
Personal Services	1,542,769	1,542,769	1,447,201	95,568
Contractual Services	647,045	628,045	524,346	103,699
Materials and Supplies	495,172	499,672	478,775	20,897
Heat, Light and Power	641,494	657,994	606,288	51,706
Landfill	211,247	211,247	197,330	13,917
Capital Outlay	2,109,277	2,137,277	1,368,442	768,835
Debt Service:				
Principal Retirement	533,542	533,542	533,380	162
Interest and Fiscal Charges	<u>472,568</u>	<u>472,568</u>	<u>472,567</u>	<u>1</u>
Total Expenses	<u>6,653,114</u>	<u>6,683,114</u>	<u>5,628,329</u>	<u>1,054,785</u>
Net Change in Fund Equity	(2,299,851)	(2,329,851)	(1,590,350)	739,501
Fund Equity at Beginning of Year	4,270,527	4,270,527	4,270,527	0
Prior Year Encumbrances Appropriated	<u>1,145,535</u>	<u>1,145,535</u>	<u>1,145,535</u>	<u>0</u>
Fund Equity at End of Year	\$ <u>3,116,211</u>	\$ <u>3,086,211</u>	\$ <u>3,825,712</u>	\$ <u>739,501</u>

(Continued)

The accompanying notes are an integral part of this schedule

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, 2011

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

Change in Net Assets	\$ (892,373)
Net Adjustments for Revenue Accruals	(1,368,062)
Net Adjustments for Expense Accruals	(1,678,095)
Depreciation Expense	1,437,083
Capital Outlay	1,135,254
Capital Contributions	636,000
Encumbrances	<u>(860,157)</u>
Change in Fund Equity	\$ <u>(1,590,350)</u>

The accompanying notes are an integral part of this schedule

Rocky River Wastewater Treatment Plant

Notes to Supplemental Information

For The Year Ended December 31, 2011

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 above presents the adjustments necessary to reconcile the Change in Net Assets (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.

**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 the Management Committee of the
Rocky River Wastewater Treatment Plant
Rocky River, Ohio

We have audited the basic financial statements of the Rocky River Wastewater Treatment Plant (the “Plant”), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012, wherein we noted that the Plant implemented GASB Statement No. 59 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Plant is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plant’s internal control over financial reporting. Accordingly, we do not express an opinion 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, 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 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.

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 to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plant's financial statements are free of 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*.

We noted a certain matter that we reported to management of the Plant in a separate letter dated June 27, 2012.

This report is intended solely for the information and use of management, the Management Committee, others within the entity, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
June 27, 2012



Dave Yost • Auditor of State

ROCKY RIVER WASTEWATER TREATMENT PLANT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2012**