ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

ROCKY RIVER WASTEWATER TREATMENT PLANT
CUYAHOGA COUNTY
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the Management Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio (the Plant), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Plant's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Plant's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rocky River Wastewater Treatment Plant, Cuyahoga County, as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Plant adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis,* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Plant's basic financial statements taken as a whole.

The Schedule of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Budgetary Basis) and Actual presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 in considering the Plant's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

June 28, 2019

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Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

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, 2018. 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 2018 are as follows:

- For the year ended December 31, 2018, the Plant implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of this statement resulted in the restatement of net position as of December 31, 2017. See Note 3 for additional information regarding the restatement.

- Total assets decreased by $777,085 and deferred outflows of resources decreased by $326,145. The main factors affecting the total assets was the increase in equity in pooled cash and cash equivalents (up $287,989), which was offset by a decrease in capital assets (down $1,130,400).

- Total liabilities decreased by $1,070,778 and deferred inflows of resources increased by $347,154 from 2017. The main factors affecting the total liabilities was a decrease in debt (down $653,756) and net pension liability (down $556,099), offset by an increase in the net OPEB liability (up $81,176) during 2018.

Using this Annual Financial Report

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

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

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

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

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

Rocky River Wastewater Treatment Plant

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2018

Table 1 provides a summary of the Plant's net position for 2018 compared to 2017.

Table 1
Net Position

	2018	Restated 2017
Assets		
Current Assets	$ 3,238,621	$ 2,889,308
Capital Assets, Net	26,390,803	27,521,203
Net Pension Asset	6,470	2,468
Total Assets	29,635,894	30,412,979
Deferred Outflows of Resources		
Pension	323,347	715,349
OPEB	77,424	11,567
Total Deferred Outflows of Resources	400,771	726,916
Liabilities		
Current Liabilities	1,332,422	1,148,539
Noncurrent Liabilities		
Other Noncurrent Liabilities	7,350,390	8,130,128
Net Pension Liability	1,280,523	1,836,622
Net OPEB Liability	852,235	771,059
Total Liabilities	10,815,570	11,886,348
Deferred Inflows of Resources		
Pension	306,190	22,522
OPEB	63,486	-
Total Deferred Inflows of Resources	369,676	22,522
Net Position		
Net Investment in Capital Assets	18,318,071	18,933,676
Unrestricted	533,348	297,349
Total Net Position	$ 18,851,419	$ 19,231,025

The net pension liability (NPL) is one of the largest liabilities reported by the Plant at December 31, 2018 and is reported pursuant to GASB Statement No. 68. For 2018, the Plant adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the Plant's actual financial condition by adding deferred inflows related to pension and OPEB, the NPL and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the NPL or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the NPL and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

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

As a result of implementing GASB 75, the Plant is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from $19,990,517 to $19,231,025.

The largest portion of the Plant's net position reflects its net investment in capital assets. Capital assets include construction in progress, treatment plant, equipment and vehicles. The Plant uses those capital assets to provide services to its customers; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2018, was $18,318,071. Although the Plant's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

Table 2 shows the changes in Net Position for the year ended December 31, 2018 and 2017.

Table 2
Change in Net Position

	2018	2017
Operating Revenues		
Charges for Services	$ 4,815,120	$ 4,493,669
Other Revenues	1,293	760
Non-Operating Revenues		
Intergovernmental	206,848	-
Interest Revenue	10,201	7,880
Total Revenues	5,033,462	4,502,309
Operating Expenses		
Personal Services	1,768,055	1,720,091
Contractual Services	602,091	293,175
Materials and Supplies	316,968	397,774
Heat, Light and Power	575,045	612,071
Landfill	195,940	248,108
Depreciation	1,671,752	1,574,575
Non-Operating Expenses		
Interest and Fiscal Charges	283,217	225,142
Total Expenses	5,413,068	5,070,936
Decrease in Net Position	(379,606)	(568,627)
Net Position at Beginning of Year, Restated	19,231,025	NA
Net Position at End of Year	$ 18,851,419	$ 19,231,025

The information necessary to restate the 2017 beginning balance and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $11,567 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $79,421. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

		Business-Type Activities
Total 2018 expenses under GASB 75	$	5,413,068
OPEB expense under GASB 67		(79,421)
2018 Contractually required contribution		613
Adjusted 2018 program expenses		5,334,260
Total 2017 program expenses under GASB 45		5,070,936
Increase in program expenses not related to OPEB	$	263,324

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 2018, the Plant had one supplemental appropriation; therefore the original appropriations, including prior year encumbrances in total were $7,897,314 and final appropriations, including prior year encumbrances in total were $7,922,314. The total original budgeted revenues were $6,666,785 and final budgeted revenues were $6,671,285. Actual revenues were $1,625,416 less than the final budget estimates of $6,671,285 primarily as a result of less intergovernmental revenue received than expected. The final appropriations, including prior year encumbrances of $7,922,314 was sufficient to meet the expenditures for the year, which ended up at $6,653,880, or $1,268,434 less than anticipated. The Plant is currently performing an OPWC treatment plant improvement project; however, the Plant had less in project expenditures than expected due to the timing of when OPWC payments were made, causing actual revenues and expenditures to be less than budgeted.

Capital Assets

Table 3 provides a summary of the Plant's capital assets, net of accumulated depreciation, for 2018 compared to 2017.

Table 3
Capital Assets, Net

	2018	2017
Construction in Progress	$ 270,823	$ 3,168,269
Treatment Plant	25,818,792	24,080,018
Equipment and Vehicles	301,188	272,916
Total Capital Assets, Net	$ 26,390,803	$ 27,521,203

Capital assets, net of accumulated depreciation decreased by $1,130,400 as there was an increase in accumulated depreciation during the current year. For more information on capital assets, see Note 8 to the Basic Financial Statements.

Debt

The Plant's debt consists of a 25-year loan from the Ohio Water Development Authority (OWDA) with an interest rate of 5.50%. The balance of the outstanding amount of the OWDA loan at December 31, 2018 is $4,929,777. The Plant has five Ohio Public Works Commission (OPWC) loans; each loan has a zero percent interest rate and with terms between 20 and 25 years. The balance of the outstanding amounts of the OPWC loans at December 31, 2018 is $3,003,994. The Plant has no bonded indebtedness. See Note 9 for additional information on debt.

Current Financial Related Activities

During 2018, the Plant completed the OPWC WWTP 2014 – 2017 Capital Improvements Project and continued progress on the OPWC WWTP 2017 – 2020 Capital Improvements Project. Both projects include the repair/replacement of a series of Plant components and equipment that date to 1961.

Contacting the Plant Finance Department

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

Rocky River Wastewater Treatment Plant

Statement of Net Position

December 31, 2018

Assets:		
Current Assets:		
Cash and Cash Equivalents	$	3,094,993
Accrued Interest Receivable		94
Materials and Supplies Inventory		143,418
Prepaid		116
Total Current Assets		3,238,621
Noncurrent Assets:		
Capital Assets:		
Construction in Progress		270,823
Treatment Plant		62,413,734
Equipment		1,079,775
Vehicles		65,503
Less: Accumulated Depreciation		(37,439,032)
Total Capital Assets, net		26,390,803
Net Pension Asset		6,470
Total Noncurrent Assets		26,397,273
Total Assets		29,635,894
Deferred Outflows of Resources:		
Pension		323,347
OPEB		77,424
Total Deferred Outflows of Resources		400,771
Liabilities:		
Current Liabilities:		
Accounts Payable		267,328
Accrued Wages and Benefits		49,610
Intergovernmental Payable		56,100
Compensated Absences Payable		51,051
Accrued Interest Payable		98,596
OPWC Loans Payable		214,782
OWDA Loans Payable		594,955
Total Current Liabilities		1,332,422

(continued)

Rocky River Wastewater Treatment Plant

Statement of Net Position (continued)

December 31, 2018

Noncurrent Liabilities:	
Compensated Absences Payable (Net of Current Portion)	226,356
OPWC Loans Payable (Net of Current Portion)	2,789,212
OWDA Loans Payable (Net of Current Portion)	4,334,822
Net Pension Liability	1,280,523
Net OPEB Liability	852,235
Total Noncurrent Liabilities	9,483,148
Total Liabilities	10,815,570
Deferred Inflows of Resources	
Pension	306,190
OPEB	63,486
Total Deferred Inflows of Resources	369,676
Net Position:	
Net Investment in Capital Assets	18,318,071
Unrestricted	533,348
Total Net Position	$ 18,851,419

The Accompanying Notes are an Integral Part of these Basic Financial Statements

Rocky River Wastewater Treatment Plant

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2018

Operating Revenues:		
Charges for Services	$	4,815,120
Other Revenues		1,293
Total Operating Revenues		4,816,413
Operating Expenses:		
Personal Services		1,768,055
Contractual Services		602,091
Materials and Supplies		316,968
Heat, Light and Power		575,045
Landfill		195,940
Depreciation		1,671,752
Total Operating Expenses		5,129,851
Operating Loss		(313,438)
Non-Operating Revenues and (Expenses):		
Intergovernmental		206,848
Interest Revenue		10,201
Interest and Fiscal Charges		(283,217)
Total Non-Operating Revenues and (Expenses)		(66,168)
Change in Net Position		(379,606)
Net Position at Beginning of Year, Restated		19,231,025
Net Position at End of Year	$	18,851,419

Rocky River Wastewater Treatment Plant

Statement of Cash Flows

For the Year Ended December 31, 2018

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 4,815,120
Cash Received from Other Operating Sources	1,293
Cash Payments to Suppliers for Goods and Services	(1,827,812)
Cash Payments for Employee Services and Benefits	(1,567,013)
Net Cash Provided by Operating Activities	1,421,588
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(402,391)
Proceeds from OPWC Loan	92,735
Intergovernmental – OPWC Grant	126,534
Principal Paid on OWDA Loan	(563,535)
Principal Paid on OPWC Loan	(182,956)
Interest Paid on OWDA Loan	(214,173)
Net Cash Used by Capital and Related Financing Activities	(1,143,786)
Cash Flows from Investing Activities:	
Interest Received	10,187
Net Increase in Cash and Cash Equivalents	287,989
Cash and Cash Equivalents, Beginning of Year	2,807,004
Cash and Cash Equivalents, End of Year	$ 3,094,993

(continued)

Rocky River Wastewater Treatment Plant

Statement of Cash Flows (continued)

For the Year Ended December 31, 2018

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	$	(313,438)
Adjustments:		
Depreciation		1,671,752
(Increase) Decrease in Assets and Deferred Outflows:		
Inventory		(85,531)
Prepaids		24,221
Net Pension Asset		(4,002)
Deferred Outflows Related to Pension		392,002
Deferred Outflows Related to OPEB		(65,857)
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable		(11,794)
Retainage Payable		(10,476)
Accrued Wages and Benefits		6,177
Matured Compensated Absences Payable		(33,529)
Compensated Absences Payable		(38,446)
Intergovernmental Payable		18,278
Net Pension Liability		(556,099)
Net OPEB Liability		81,176
Deferred Inflows Related to Pension		283,668
Deferred Inflows Related to OPEB		63,486
Total adjustments		63,274
Net Cash Provided by Operating Activities:	$	1,421,588
Supplemental Schedule of Non-Cash Capital and Related Financing Activities:		
Capital Assets Purchased on Credit	$	138,961
OWDA Interest Funded by Intergovernmental Subsidy		80,314

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. The Member Cities adopted Operating By-Laws in July 1982.

The Plant has a Management Committee consisting of the Mayor of each Member City or his/her designee and a fifth member who is appointed by the four Mayors. The Management Committee serves without compensation. The organizing agreement provides that the fifth member may be compensated. In 2018, that member served without compensation.

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

The Plant is located at 22303 Lake Road in Rocky River, Ohio, on land owned by that Member City. The Plant supplies participating residents of the Member Cities, with a combined population of approximately 86,000, with wastewater treatment services. The Plant is designed to treat an average daily flow of 22.5 million gallons per day (MGD) and has a primary treatment capacity of 128 MGD and a secondary treatment capacity of 45 MGD. The Plant facility was originally built in 1961 (primary treatment) with a major expansion completed in 1985 (addition of secondary biological treatment process required by the 1972 Clean Water Act) and further expanded with a major upgrade to increase primary treatment in 2000. All amounts shown in the table below are in million gallons.

Year	Average Daily Flow	Largest Flow in 24 Hour Period	Peak Influent Flow Rate	Total Wastewater Treated
2018	14.94	42.32	145.6	5,400
2017	13.37	49.95	120.0	4,631
2016	13.02	47.04	137.9	4,935
2015	14.22	86.30	156.0	5,189
2014	15.11	70.52	141.5	5,516

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

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

The City has employed a staff of 17 to perform operational duties at the Plant, all which have State of Ohio Environmental Protection Agency license certifications ranging from Class I through Class IV.

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, 2018:

Bay Village	20.90%
Fairview Park	18.79
Rocky River	24.11
Westlake	36.20
Total	100.00%

The flow quantity and strength study that established the above listed rates was completed in May 2017. In accordance with the Plant's organization agreement, the next flow quantity and strength study will be conducted in 2021. 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 most significant of the Plant's accounting policies are described as follows.

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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

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

D. Cash and Cash Equivalents

Cash balances are managed by the Director of Finance of the City of Rocky River, the Plant's fiscal agent, in separate bank accounts and may be invested in short-term investments as described in Note 4. The balances in these accounts are presented on the Statement of Net Position as "Cash and Cash Equivalents" and represent deposits.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an initial maturity of three months or less are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During 2018, the Plant held only cash and cash equivalents.

E. Inventory

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

F. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid assets using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

Note 2: Summary of Significant Accounting Policies (continued)

G. Capital Assets

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

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

Treatment Plant	40 years
Equipment	5 years
Vehicles	5 years

H. Capitalization of Interest

The Plant may capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2018, the Plant did not capitalize any interest.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Plant will compensate the employees for the benefits through paid-time-off or some other means. Vacation leave is earned at rates which vary depending upon length of service and standard work week. Vacation accumulation is limited to two times the amount earned by an employee during the year.

The Plant records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service. Accrued vacation is paid to employees as paid-time-off or at the time of termination.

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

Note 2: Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

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.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either by policy adopted by the Management Committee or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Plant applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The Plant did not have any restricted net position as of December 31, 2018.

K. Operating Revenues and Expenses

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

L. Estimates

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

M. Pension/Other Postemployment Benefits (OPEB)

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

Note 3: Change in Accounting Principle

For 2018, the Plant implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). These changes were incorporated in the Plant's 2018 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 86, seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions involved in the extinguishment of debt including, prepaid insurance and note disclosures for in-substance defeasance of debt. Implementation of this standard has had no effect on the Plant's financial statements or disclosures.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements.

The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

		Wastewater Treatment Plant
Net Position at December 31, 2017, as Previous Reported	$	19,990,517
Net OPEB Liability		(771,059)
Deferred Outflow – Payments Subsequent to Measurement Date		11,567
Restated Net Position at December 31, 2017	$	19,231,025

Other than employer contributions subsequent to the measurement date, the Plant made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

Note 4: Deposits

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

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

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

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

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

> One hundred two percent of the total amount of all uninsured public deposits; or
>
> An amount determined by rules adopted by the Treasurer of State that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At December 31, 2018, the carrying amount of the Plant's deposits was $3,094,993 and the bank balance was $3,136,336. Of the bank balance, $500,000 was covered by the Federal Depository Insurance Corporation and $2,636,336 was uninsured and collateralized through the Ohio Pooled Collateral System.

Note 5: Receivables

Receivables at December 31, 2018, consist of accrued interest.

Note 6: Risk Management

The Plant is exposed to various risks related to damage, theft and destruction of assets; torts; errors and omissions; natural disasters; and injuries to employees. During 2018, 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, 2018. Plant management is not aware of any pending claims, asserted or unasserted, as of December 31, 2018.

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2018

Note 8: Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Disposals	Balance 12/31/18
Capital Assets, not being Depreciated:				
Construction in Progress	$ 3,168,269	$ 259,950	$ (3,157,396)	$ 270,823
Capital Assets, being Depreciated:				
Treatment Plant	59,114,017	3,299,717	-	62,413,734
Equipment	983,746	139,081	(43,052)	1,079,775
Vehicles	65,503	-	-	65,503
Total Capital Assets, being Depreciated	60,163,266	3,438,798	(43,052)	63,559,012
Less Accumulated Depreciation:				
Treatment Plant	(35,033,999)	(1,560,943)	-	(36,594,942)
Equipment	(736,006)	(108,012)	43,052	(800,966)
Vehicles	(40,327)	(2,797)	-	(43,124)
Total Accumulated Depreciation	(35,810,332)	(1,671,752)	43,052	(37,439,032)
Total Capital Assets, being Depreciated, Net	24,352,934	1,767,046	-	26,119,980
Total Capital Assets, Net	$ 27,521,203	$ 2,026,996	$ (3,157,396)	$ 26,390,803

Rocky River Wastewater Treatment Plant

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2018

Note 9: Long-Term Obligations

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

	Restated Outstanding 12/31/17	Additions	Deletions	Outstanding 12/31/18	Amounts Due in One Year
2000 5.50% $11,582,103					
OWDA Loan – Matures 7/1/25	$ 5,493,312	$ -	$ (563,535)	$ 4,929,777	$ 594,955
0.00% OPWC					
Trickling Filter Recycle Pump					
Replacement	137,132	-	(13,714)	123,418	13,714
WWTP Improvements	1,331,517	-	(115,784)	1,215,733	115,784
WWTP Improvements 2008-2009	239,542	-	(18,426)	221,116	18,426
WWTP Improvements 2013-2016	683,118	-	(35,032)	648,086	35,032
WWTP Improvements 2014-2017	702,906	92,735	-	795,641	31,826
Net Pension Liability	1,836,622	-	(556,099)	1,280,523	-
Net OPEB Liability	771,059	81,176	-	852,235	-
Compensated Absences Payable	315,853	109,692	(148,138)	277,407	51,051
Total	$ 11,511,061	$ 283,603	$ (1,450,728)	$ 10,343,936	$ 860,788

Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2018, are as follows:

	OWDA Loan		OPWC	
Year	Principal	Interest	Principal	Total
2019	$ 594,955	$ 191,322	$ 214,782	$ 1,001,059
2020	628,128	167,196	214,782	1,010,106
2021	663,150	141,726	214,782	1,019,658
2022	700,125	114,836	214,782	1,029,743
2023	739,161	86,445	214,782	1,040,388
2024-2028	1,604,258	81,301	1,060,188	2,745,747
2029-2033	-	-	429,039	429,039
2034-2038	-	-	281,736	281,736
2039-2043	-	-	159,121	159,121
Total	$ 4,929,777	$ 782,826	$ 3,003,994	$ 8,716,597

In July 2001, the 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% interest. In 2016, OWDA provided the Plant with an interest buy-down, which reduces the interest rate by 1.50%. This also adjusted the semi-annual installments to an amount to retire the principal over 24 years plus the adjusted interest amount.

In September 2007, the OPWC finalized an interest-free loan to the Plant for the Trickling Filter Recycle Pump Replacement project totaling $274,272. The loan will be repaid in semi-annual installments of $6,857 over 20 years, ending in 2027.

Note 9: Long-Term Obligations (continued)

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

In May 2010, the OPWC finalized an interest-free loan for the WWTP Improvements 2008 – 2009 projects totaling $368,524. The loan will be repaid in semi-annual installments of $9,213 beginning in 2011 over 20 years, ending in 2030.

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

In 2018, the OPWC finalized an interest-free loan for the WWTP Improvements 2014 – 2017 projects totaling $795,641. The loan will be repaid in semi-annual installments of $15,913 beginning in 2019 over 25 years, ending in 2043.

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 2018, 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 2018 consists of amounts charged to the Member Cities for wastewater treatment services provided to the Member Cities' residents, of which a portion is considered a contribution to the Plant for plant and equipment replacement. The charges for services and the portion considered contributions to the Plant are as follows:

	Charges for Services	Contributions
Bay Village	$ 973,593	$ 195,624
Fairview Park	897,834	175,874
Rocky River	1,183,483	225,670
Westlake	1,760,210	338,832
Total	$ 4,815,120	$ 936,000

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.

Note 11: Defined Benefit Pension Plans

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

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

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

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

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

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

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

Note 11: Defined Benefit Pension Plans (continued)

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

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 and the Combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Plant employees) may elect the Member-Directed plan, substantially all employee members are in OPERS' Traditional or Combined plans; therefore, the following disclosure focuses on the Traditional and Combined plans.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

The Traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

Note 11: Defined Benefit Pension Plans (continued)

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

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Traditional plan (see OPERS CAFR referenced above for additional information):

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient retiring under the Traditional pension plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's base benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional pension plan.

The Combined plan is a defined benefit plan with elements of a defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the Traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Benefits in the Combined plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined plan is the same as the Traditional pension plan.

Note 11: Defined Benefit Pension Plans (continued)

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

Members retiring under the Combined plan receive a 3% COLA on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Additionally, a death benefit of $500 – $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined plan.

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Combined plan (see OPERS CAFR referenced above for additional information):

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both Member-Directed plan and Combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these.

Note 11: Defined Benefit Pension Plans (continued)

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2018. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2018, the Plant's contractually required contribution, net of post-employment health care benefits, was $160,410. Of this amount, $19,993 is reported as accrued wages and benefits at December 31, 2018.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Plant's proportion of the net pension liability was based on the Plant's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional	OPERS Combined	Total
Proportion of the Net Pension Liability/ Asset Prior Measurement Date	0.008088%	0.004435%	
Proportion of the Net Pension Liability/ Asset Current Measurement Date	0.008162%	0.004754%	
Change in Proportionate Share	0.000074%	0.000319%	
Proportionate Share of the Net Pension Asset	$ -	$ 6,470	$ 6,470
Proportionate Share of the Net Pension Liability	$ 1,280,523	$ -	$ 1,280,523
Pension Expense	$ 274,869	$ 1,106	$ 275,975

Note 11: Defined Benefit Pension Plans (continued)

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

At December 31, 2018, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	Total
Deferred Outflow of Resources			
Plant Contributions Subsequent to the Measurement Date	$ 157,191	$ 3,219	$ 160,410
Differences in Employer Contributions and Change in Proportionate Share	7,890	143	8,033
Difference Between Expected and Actual Experience	1,308	-	1,308
Change in Assumptions	153,031	565	153,596
Total Deferred Outflow of Resources	$ 319,420	$ 3,927	$ 323,347
Deferred Inflow of Resources			
Differences in Employer Contributions and Change in Proportionate Share	$ 2,932	$ 163	$ 3,095
Difference Between Expected and Actual Experience	25,235	1,928	27,163
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	274,911	1,021	275,932
Total Deferred Inflow of Resources	$ 303,078	$ 3,112	$ 306,190

The $160,410 reported as deferred outflows of resources related to pension resulting from Plant contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	Total
Fiscal Year Ending December 31:			
2019	$ 115,964	$ (323)	$ 115,641
2020	(22,792)	(351)	(23,143)
2021	(121,056)	(579)	(121,635)
2022	(112,965)	(555)	(113,520)
2023	-	(197)	(197)
2024-2027	-	(399)	(399)
	$ (140,849)	$ (2,404)	$ (143,253)

Note 11: Defined Benefit Pension Plans (continued)

D. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Note 11: Defined Benefit Pension Plans (continued)

D. Actuarial Assumptions – OPERS (continued)

The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional plan, the defined benefit component of the Combined plan and the annuitized accounts of the Member-Directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00%	5.66%

Note 11: Defined Benefit Pension Plans (continued)

D. Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plant's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Plant's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5%, as well as what the Plant's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Plant's Proportionate Share of the Net Pension Liability – Traditional	$ 2,273,881	$ 1,280,523	$ 452,360
Plant's Proportionate Share of the Net Pension Asset – Combined	$ 3,518	$ 6,470	$ 8,509

Changes between Measurement Date and Report Date In October 2018, the OPERS Board voted to lower the investment return assumption for its defined benefit fund from 7.5% to 7.2%. This assumption change will impact OPERS annual actuarial valuation prepared as of December 31, 2018.

Note 12: OPEB

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

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed plan – a defined contribution plan; and the Combined plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement for qualified medical expenses from their vested RMA balance.

Note 12: OPEB (continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit 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 75. See OPERS' CAFR referenced below for additional information.

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional plan and Combined plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed plan participants for 2018 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2018, the Plant made contributions of $613 to the Member-Directed healthcare plan.

Note 12: OPEB (continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year.

The Plant's proportion of the net OPEB liability was based on the Plant's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS
Proportion of the Net OPEB Liability Prior Measurement Date		0.007634%
Proportion of the Net OPEB Liability Current Measurement Date		0.007848%
Change in Proportionate Share		0.000214%
Proportionate Share of the Net OPEB Liability	$	852,235
OPEB Expense	$	79,421

At December 31, 2018, the Plant reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS
Deferred Outflow of Resources		
Plant Contributions Subsequent to the Measurement Date	$	613
Differences in Employer Contributions and Change in Proportionate Share		14,095
Difference Between Expected and Actual Experience		664
Change in Assumptions		62,052
Total Deferred Outflow of Resources	$	77,424
Deferred Inflow of Resources		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$	63,486
Total Deferred Inflow of Resources	$	63,486

Note 12: OPEB (continued)

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

The $613 reported as deferred outflows of resources related to OPEB resulting from Plant contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

		OPERS
Fiscal Year Ending December 31:		
2019	$	20,851
2020		20,851
2021		(12,506)
2022		(15,871)
2023		-
2024-2025		-
	$	13,325

C. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Health Care Costs Trend Rate	7.5%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases, including 3.25% inflation	3.25% to 10.75%
Single Discount Rate:	
Current measurement date	3.85%
Prior measurement date	4.23%

Note 12: OPEB (continued)

C. Actuarial Assumptions – OPERS (continued)

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

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

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

Note 12: OPEB (continued)

C. Actuarial Assumptions – OPERS (continued)

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00%	4.98%

Discount Rate A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23% was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Plant's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Plant's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the Plant's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85%) or one-percentage-point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Discount Rate (3.85%)	1% Increase (4.85%)
Plant's Proportionate Share of the Net OPEB Liability	$ 1,132,231	$ 852,235	$ 625,721

Note 12: OPEB (continued)

C. Actuarial Assumptions – OPERS (continued)

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

	1% Decrease	Cost Trend Rate	1% Increase
Plant's Proportionate Share of the Net OPEB Liability	$ 815,407	$ 852,235	$ 890,277

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

Changes between Measurement Date and Report Date In October 2018, the OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.5% to 6%. This assumption change will impact OPERS annual actuarial valuation prepared as of December 31, 2018.

At December 31, 2018, the Agency reported its proportionate share of net OPEB liabilities and OPEB expense from OPERS, based on December 31, 2017 measurement, as displayed in the subsequent table.

Note 13: Contractual Commitments

At December 31, 2018, the Plant's significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
Professional Services	$ 345,950	$ 261,427	$ 84,523
Equipment Purchases	60,000	-	60,000
2017-2020 Capital Improvement Project	1,700,000	82,758	1,617,242
Total	$ 2,105,950	$ 344,185	$ 1,761,765

Note 14: Permitting and Compliance

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

In 2018, the Plant received preliminary notices of non-compliance for four issues. All issues were timely reported to the Ohio EPA and as of the date of this report, no penalty has been either proposed or imposed. Further, Plant management is of the opinion no fines or penalties will result from these issues. Certain new sampling techniques and monitoring equipment will serve to mitigate the risk of recurrence of these matters.

Rocky River Wastewater Treatment Plant

Required Supplementary Information
Schedule of the Plant's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

Last Five Years (1)

	2018	2017	2016	2015	2014
Plant's Proportion of the Net Pension Liability	0.008162%	0.008088%	0.008656%	0.008720%	0.008720%
Plant's Proportionate Share of the Net Pension Liability	$ 1,280,523	$ 1,836,622	$ 1,499,260	$ 1,051,714	$ 1,027,959
Plant's Covered Payroll	$ 1,108,195	$ 1,150,366	$ 1,065,035	$ 1,016,709	$ 1,013,273
Plant's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	115.55%	159.66%	140.77%	103.44%	101.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

Required Supplementary Information
Schedule of the Plant's Proportionate Share of the Net Pension Asset
Ohio Public Employee Retirement System – Combined Plan

Last Five Years (1)

	2018	2017	2016	2015	2014
Plant's Proportion of the Net Pension Asset	0.004754%	0.004435%	0.004654%	0.005278%	0.005278%
Plant's Proportionate Share of the Net Pension Asset	$ 6,470	$ 2,468	$ 2,265	$ 2,032	$ 554
Plant's Covered Payroll	$ 19,987	$ 19,010	$ 16,663	$ 17,822	$ 15,854
Plant's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	32.37%	12.98%	13.59%	11.40%	3.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	104.33%

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

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

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

For The Last Ten Years

	2018	2017	2016	2015	2014
Contractually-Required Contribution	$ 157,191	$ 144,065	$ 138,044	$ 127,804	$ 122,005
Contributions in Relation to the Contractually-Required Contribution	(157,191)	(144,065)	(138,044)	(127,804)	(122,005)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Plant Covered Payroll	$ 1,122,795	$ 1,108,195	$ 1,150,366	$ 1,065,035	$ 1,016,709
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

	2013	2012	2011	2010	2009
Contractually-Required Contribution	$ 131,726	$ 93,031	$ 107,776	$ 100,498	$ 84,180
Contributions in Relation to the Contractually-Required Contribution	(131,726)	(93,031)	(107,776)	(100,498)	(84,180)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Plant Covered Payroll	$ 1,013,273	$ 930,308	$ 1,077,756	$ 1,116,642	$ 990,352
Contributions as a Percentage of Covered Payroll	13.00%	10.00%	10.00%	9.00%	8.50%

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

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

For The Last Ten Years

	2018	2017	2016	2015	2014
Contractually-Required Contribution	$ 3,219	$ 2,598	$ 2,281	$ 2,000	$ 2,139
Contributions in Relation to the Contractually-Required Contribution	(3,219)	(2,598)	(2,281)	(2,000)	(2,139)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Plant Covered Payroll	$ 22,990	$ 19,987	$ 19,010	$ 16,663	$ 17,822
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

	2013	2012	2011	2010	2009
Contractually-Required Contribution	$ 2,061	$ 1,456	$ 1,686	$ 1,572	$ 1,317
Contributions in Relation to the Contractually-Required Contribution	(2,061)	(1,456)	(1,686)	(1,572)	(1,317)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Plant Covered Payroll	$ 15,854	$ 14,556	$ 16,863	$ 17,471	$ 15,495
Contributions as a Percentage of Covered Payroll	13.00%	10.00%	10.00%	9.00%	8.50%

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

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

For The Last Two Years

		2018 (1)		2017 (1)
Plant's Proportion of the Net OPEB Liability		0.007848%		0.007634%
Plant's Proportionate Share of the Net OPEB Liability	$	852,235	$	771,059
Plant's Covered-Employee Payroll	$	1,115,901	$	1,095,476
Plant's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll		76.37%		70.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		54.14%		n/a

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

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

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

For The Last Three Years (1)

	2018	2017	2016
Contractually-Required Contribution	$ 613	$ 11,567	$ 22,320
Contributions in Relation to the Contractually-Required Contribution	(613)	(11,567)	(22,320)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Plant Covered Payroll	$ 1,161,111	$ 1,115,901	$ 1,095,476
Contributions as a Percentage of Covered Payroll	0.05%	1.04%	2.04%

(1) Information prior to 2016 is not available.

See Accompanying Note to the Required Supplementary Information.

Rocky River Wastewater Treatment Plant

Notes to Required Supplementary Information

For the Year Ended December 31, 2018

Note 1: Change in Assumptions – OPERS Traditional and Combined Pension Plans

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25%	3.75%
Future Salary Increases, Including Inflation	3.25-10.75% (including wage inflation at 3.25%)	4.25-10.05% (including wage inflation)
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2018 then 2.15% Simple	3.00% Simple through 2018 then 2.8% Simple
Investment Rate of Return	7.50%	8.00%
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

The 2017 measurement assumptions are reflected in the 2018 liabilities in Notes 11, 12 and RSI tables. Likewise, 2016 measurement assumptions are reflected in 2017 liabilities.

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

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

Note 2: Change in Assumptions – OPERS OPEB Plan

For 2018, the single discount rate changed from 4.23% to 3.85%.

Rocky River Wastewater Treatment Plant

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

For the Year Ended December 31, 2018

	Budget			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for Services	$ 5,222,967	$ 5,222,967	$ 4,815,120	$ (407,847)
Intergovernmental	1,434,318	1,434,318	219,269	(1,215,049)
Other Revenues	5,000	5,000	1,293	(3,707)
Investment Revenue	4,500	9,000	10,187	1,187
Total Revenues	6,666,785	6,671,285	5,045,869	(1,625,416)
Expenses:				
Personal Services	1,747,930	1,772,930	1,567,013	205,917
Contractual Services	1,166,736	1,257,736	1,015,525	242,211
Materials and Supplies	573,783	540,283	454,445	85,838
Heat, Light and Power	670,000	670,000	621,670	48,330
Landfill	354,072	293,072	225,525	67,547
Capital Outlay	2,407,345	2,413,845	1,809,038	604,807
Debt Service:				
Principal Retirement	763,148	760,148	746,491	13,657
Interest and Fiscal Charges	214,300	214,300	214,173	127
Total Expenses	7,897,314	7,922,314	6,653,880	1,268,434
Net Change in Fund Equity	(1,230,529)	(1,251,029)	(1,608,011)	(356,982)
Fund Equity at Beginning of Year	2,170,566	2,170,566	2,170,566	-
Prior Year Encumbrances Appropriated	636,438	636,438	636,438	-
Fund Equity at End of Year	$ 1,576,475	$ 1,555,975	$ 1,198,993	$ (356,982)

(continued)

See Accompanying Notes to the Supplementary Information.

Rocky River Wastewater Treatment Plant

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

For the Year Ended December 31, 2018

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

Change in Net Position	$	(379,606)
Net Adjustments for Revenue Accruals		12,407
Net Adjustments for Expense Accruals		(475,212)
Depreciation Expense		1,671,752
Additions of Capital Assets		(541,352)
Encumbrances		(1,896,000)
Change in Fund Equity	$	(1,608,011)

See Accompanying Notes to the Supplementary Information.

Rocky River Wastewater Treatment Plant

Notes to Supplemental Information

For the Year Ended December 31, 2018

Note 1: Budgetary Basis of Accounting

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

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

The table on page 53 presents the adjustments necessary to reconcile the Change in Net Position (GAAP basis) to the Net Change in Fund Equity (budgetary basis).

Note 2: Budgetary Data

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

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

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

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

OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Rocky River Wastewater Treatment Plant, Cuyahoga County, Ohio (the Plant) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements and have issued our report thereon dated June 28, 2019, wherein we noted the Plant adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Plant's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Plant's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Plant's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Plant's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Plant's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

June 28, 2019

OHIO AUDITOR OF STATE
KEITH FABER

ROCK 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 11, 2019