



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

## **OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Financial Statements and Additional Financial Information

Year ended June 30, 2021

with Independent Auditors' Report

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## **INDEPENDENT AUDITORS' REPORT**

The Commissioners of the  
Ohio River Valley Water Sanitation Commission:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ohio River Valley Water Sanitation Commission, ("the Commission") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ohio River Valley Water Sanitation Commission as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
February 9, 2022

## OHIO RIVER VALLEY WATER SANITATION COMMISSION

Management's Discussion and Analysis

Year Ended June 30, 2021

Unaudited

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This discussion and analysis provides key information from management highlighting the overall financial performance of the Ohio River Valley Water Sanitation Commission (the Commission) for the year ended June 30, 2021. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the Commission's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2021 are listed below:

- The Commission reported a positive net position as of June 30, 2021.
- Program outputs and results were generally as expected. Budgeted revenue and expense targets were met in most program areas, remaining within the overall established budget.
- The assets and deferred outflows of resources (items applicable to a future reporting period) of the Commission exceeded its liabilities and deferred inflows of resources (items applicable to a future reporting period) at fiscal year-end by \$2,239,549 (net position). The unrestricted portion ended the fiscal year with a balance of \$1,580,900, primarily due to additional restricted operating grant funding to cover operational expenses and reduced expenses.
- In total, net position increased by \$1,073,801.
- The Commission had \$2,798,950 in expenses; \$2,413,089 of these expenses were offset by program specific grants or contributions and general revenue of \$1,459,662, made up primarily of state assistance, provided additional resources for the Commission's programs.
- The General Fund balance increased by \$1,609,455 from \$1,615,920 at June 30, 2020 to \$3,225,375 at June 30, 2021. This increase was due to the timing of receipt of federal funding. Resources must be available to be recognized as revenue in the fiscal year being audited.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. earned but unused vacation leave).

## OHIO RIVER VALLEY WATER SANITATION COMMISSION

Management's Discussion and Analysis

Year Ended June 30, 2021

Unaudited

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Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). As a single purpose government, the Commission's expenses are for water pollution control and abatement. The Commission has no business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into two categories: governmental funds and fiduciary funds.

**Basis of accounting.** The Commission's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). As discussed in Note 1 to the financial statements, the government-wide financial statements use the accrual basis and the fund financial statements use the modified accrual basis, whereas the Commission's internal financial reporting, such as Treasurer's Reports, is prepared on a budget basis, which in some cases portrays different, but accurate financial numbers in both situations.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Commission's own programs.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Management's Discussion and Analysis

Year Ended June 30, 2021

Unaudited

**GOVERNMENT-WIDE FINANCIAL ANALYSIS****A. Net Position at year-end**

The following table presents a condensed summary of the Commission's overall financial position at June 30, 2021 compared to June 30, 2020:

	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 4,223,555	\$ 3,284,068
Capital assets	<u>365,187</u>	<u>390,717</u>
Total assets	<u>4,588,742</u>	<u>3,674,785</u>
Deferred outflows of resources	<u>6,305</u>	<u>153,646</u>
Long-term liabilities	102,226	112,550
Net pension liability	1,190,847	1,913,228
Other liabilities	<u>512,846</u>	<u>437,740</u>
Total liabilities	<u>1,805,919</u>	<u>2,463,518</u>
Deferred inflows of resources	<u>549,579</u>	<u>199,165</u>
Net position:		
Investment in capital assets	365,187	390,717
Restricted:		
Other purposes	293,462	197,027
Unrestricted	<u>1,580,900</u>	<u>578,004</u>
Total net position	<u>\$ 2,239,549</u>	<u>\$ 1,165,748</u>

The Commission experienced an increase of approximately \$839,000 in cash and cash equivalents due to positive operating results. The decrease in total liabilities is primarily related to the net pension liability which decreased due to a significant net appreciation of pension investments.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Management's Discussion and Analysis

Year Ended June 30, 2021

Unaudited

**B. Governmental Activities during fiscal year 2021**

The following table presents a condensed summary of the Commission's activities during fiscal year 2021 and 2020 and the resulting change in net position:

	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Program revenues:		
Operating grants and contributions	\$ 2,413,089	\$ 2,159,016
Total program revenues	<u>2,413,089</u>	<u>2,159,016</u>
General revenues:		
State assistance	1,439,700	1,439,700
Other	19,962	45,975
Total general revenues	<u>1,459,662</u>	<u>1,485,675</u>
<b>Total revenues</b>	<u>3,872,751</u>	<u>3,644,691</u>
<b>Expenses:</b>		
Salaries, benefits and taxes	1,599,671	1,779,508
Travel	29,186	175,472
Supplies	195,024	211,330
Contractual services	537,822	683,509
Lab fees and delivery	168,729	184,506
Office and utilities	54,984	56,383
Repairs and maintenance	42,540	52,538
Telephone	14,829	18,459
Printing and reproduction	4,491	4,190
Depreciation	151,674	227,413
<b>Total expenses</b>	<u>2,798,950</u>	<u>3,393,308</u>
<b>Change in net position</b>	<u>\$ 1,073,801</u>	<u>\$ 251,383</u>

Of the total governmental activities revenues of \$3,872,751, \$2,413,089 (62%) is from program revenue. This means that the Commission relies on general revenues to fund a significant portion of the cost of services provided to the citizens. Of those general revenues, 99% (\$1,439,700) comes from state assistance. Program outputs and results were generally as expected. Budgeted revenue and expense targets were met in most program areas, remaining within the overall established budget. The difference in revenue between fiscal years 2021 and 2020 was due to an increase in federal grant funding related to the Water Pollution Control Program. Salaries, benefits and taxes decreased primarily due to a decrease in staffing and contractual services and travel due to a reduction in studies performed as a result of the ongoing pandemic.

# OHIO RIVER VALLEY WATER SANITATION COMMISSION

Management's Discussion and Analysis

Year Ended June 30, 2021

Unaudited

## FINANCIAL ANALYSIS OF THE COMMISSION'S INDIVIDUAL FUNDS

### Governmental funds

The Commission has one governmental fund: the General Fund. The General Fund had assets of \$4,223,555 which consisted primarily of cash and cash equivalents (\$2,721,586) and receivables (\$1,492,374).

Fund balance at June 30, 2021 was \$3,225,375, with an unassigned fund balance of \$2,922,318. The fund balance increased by \$1,609,455 during the year ended June 30, 2021. The unassigned fund balance represents approximately 97% of current-year general fund expenditures. The increase in fund balance was due to timing of receipt of federal funding and a decrease in expenditures due to a reduction in studies performed.

### CAPITAL ASSETS

**Capital assets.** At June 30, 2021, the Commission had \$365,187 invested in a broad range of capital assets, including buildings, vehicles and equipment. See Note 4 to the financial statements for more detail.

#### Capital Assets at Year-End (Net of Depreciation)

	<u>2021</u>	<u>2020</u>
Scientific equipment	\$ 236,485	\$ 280,638
Vehicles and vessels	<u>128,702</u>	<u>110,079</u>
Total	<u>\$ 365,187</u>	<u>\$ 390,717</u>

Capital assets decreased by \$25,530 due to current year depreciation expense exceeding current year additions.

### REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ohio River Valley Water Sanitation Commission, 5735 Kellogg Avenue, Cincinnati, Ohio, 45228.

# OHIO RIVER VALLEY WATER SANITATION COMMISSION

## Statement of Net Position

June 30, 2021

	Primary Government	Component Unit
	Governmental Activities	Foundation for Ohio River Education
ASSETS:		
Cash and cash equivalents	\$ 2,721,586	\$ 241,401
Receivables:		
Due from the Federal government	1,417,695	-
Due from component unit	74,679	-
Prepaid expenses	9,595	783
Capital assets, net of accumulated depreciation	365,187	-
Total assets	4,588,742	242,184
DEFERRED OUTFLOWS OF RESOURCES:		
Pension-related items	6,305	-
LIABILITIES:		
Accounts payable and accrued expenses	512,846	164
Due to primary government	-	74,679
Long-term liabilities:		
Due within one year	102,226	-
Due in more than one year:		
Net pension liability	1,190,847	-
Total liabilities	1,805,919	74,843
DEFERRED INFLOWS OF RESOURCES:		
Pension-related items	549,579	-
NET POSITION:		
Investment in capital assets	365,187	-
Restricted for other purposes	293,462	-
Unrestricted	1,580,900	167,341
Total net position	\$ 2,239,549	\$ 167,341

The accompanying notes are an integral part of the financial statements.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Statement of Activities  
Year Ended June 30, 2021

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Foundation for Ohio River Education</u>
Program expenses:		
Salaries, benefits and taxes	\$ 1,599,671	\$ 65,986
Travel	29,186	176
Supplies	195,024	3,132
Contractual services	537,822	59,524
Lab fees and delivery	168,729	-
Office and utilities	54,984	-
Repairs and maintenance	42,540	-
Telephone	14,829	-
Printing and reproduction	4,491	-
Depreciation	151,674	-
Total program expenses	<u>2,798,950</u>	<u>128,818</u>
Program revenues:		
Operating grants and contributions restricted to specific programs:		
Federal, state, and local grants	2,233,089	-
Contributions	<u>180,000</u>	<u>97,735</u>
Total program revenues	<u>2,413,089</u>	<u>97,735</u>
Net program expenses	<u>385,861</u>	<u>31,083</u>
General revenues:		
Grants and contributions not restricted to specific programs:		
State assistance	1,439,700	-
Other	<u>19,962</u>	<u>490</u>
Total general revenues	<u>1,459,662</u>	<u>490</u>
Change in net position	1,073,801	(30,593)
Net position, beginning of year	<u>1,165,748</u>	<u>197,934</u>
Net position, end of year	<u><u>\$ 2,239,549</u></u>	<u><u>\$ 167,341</u></u>

The accompanying notes are an integral part of the financial statements.

# OHIO RIVER VALLEY WATER SANITATION COMMISSION

Balance Sheet - General Fund  
June 30, 2021

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,721,586
Receivables:	
Due from the Federal government	1,417,695
Due from component unit	74,679
Prepaid items	9,595
Total assets	<u>\$ 4,223,555</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 512,846</u>
Deferred inflows of resources:	
Unavailable revenue	<u>485,334</u>
Fund balance:	
Nonspendable	9,595
Restricted	293,462
Unassigned	2,922,318
Total fund balance	<u>3,225,375</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,223,555</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance	\$ 3,225,375
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	365,187
Certain assets not available to pay for current period expenditures and therefore are deferred in the funds.	485,334
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued leave	(102,226)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:	
Deferred outflows - pension-related items	6,305
Deferred inflows - pension-related items	(549,579)
Net pension liability	<u>(1,190,847)</u>
Total	<u>(1,734,121)</u>
Net Position of Governmental Activities	<u>\$ 2,239,549</u>

The accompanying notes are an integral part of the financial statements.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**  
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund  
Year Ended June 30, 2021

	General Fund
Revenues:	
Intergovernmental:	
Federal, state, and local grants	\$ 2,978,163
State assistance	1,439,700
Contributions	180,000
Other	2,662
Total revenues	<u>4,600,525</u>
Expenditures:	
Current:	
Salaries, benefits and taxes	1,834,621
Travel	29,186
Supplies	195,024
Contractual services	537,822
Lab fees and delivery	168,729
Office and utilities	54,984
Repairs and maintenance	42,540
Telephone	14,829
Printing and reproduction	4,491
Capital outlay	<u>126,144</u>
Total expenditures	<u>3,008,370</u>
Excess of revenues over expenditures	1,592,155
Other financing source:	
Proceeds from sale of capital assets	<u>17,300</u>
Change in fund balance	1,609,455
Fund balance, beginning of year	<u>1,615,920</u>
Fund balance, end of year	<u>\$ 3,225,375</u>

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of the General Fund to the Statement of Activities  
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	1,609,455
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives as depreciation expense.

Capital asset additions		126,144
Depreciation expense		(151,674)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(745,074)
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Some expenses reported in the statement of activities, such as accrued leave do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		10,324
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Governmental funds report pension contributions as expenditures. However,  
in the statement of activities, the cost of pension benefits earned is  
reported as pension expense:

Direct pension contributions		254,715
Pension Expense		<u>(30,089)</u>

Change in Net Position of Governmental Activities	\$	<u>1,073,801</u>
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**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Statement of Fiduciary Net Position

June 30, 2021

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 37,290
Investments:	
Fixed income	1,715,234
Equities	3,185,507
Employer contribution receivable	<u>254,715</u>
Total assets	<u>5,192,746</u>
 NET POSITION	
Restricted for pensions	<u>\$ 5,192,746</u>

The accompanying notes are an integral part of the financial statements.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

## Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	<u>Pension Trust</u>
Additions:	
Employer contributions	\$ 254,715
Investment income:	
Interest and dividend income	115,712
Net appreciation in fair value of investments	<u>827,695</u>
Net income from investing	<u>943,407</u>
Total additions	<u>1,198,122</u>
Deductions:	
Benefits payments to participants	322,291
Administrative expense	<u>25,949</u>
Total deductions	<u>348,240</u>
Net increase in net position	849,882
Restricted for pensions, beginning of year	<u>4,342,864</u>
Restricted for pensions, end of year	<u>\$ 5,192,746</u>

The accompanying notes are an integral part of the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Ohio River Valley Water Sanitation Commission (the "Commission") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

### Reporting entity

The Ohio River Valley Water Sanitation Commission (the Commission) is an interstate commission representing eight states and the federal government created to control and abate pollution in the Ohio River Basin. The Commission was established in 1948 by authority of the Ohio River Valley Water Sanitation Compact signed by the Governors of the eight states (Illinois, Indiana, Kentucky, New York, Ohio, Pennsylvania, Virginia, and West Virginia) and approved by the Congress of the United States of America.

The accompanying financial statements present the Commission and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see below for description) to emphasize that it is legally separate from the Commission.

The Commission is made up of three commissioners from each State, who are appointed by their Governor, and three commissioners representing the United States government, who are appointed by the President of the United States. The Commissioners convene three times a year to establish policy and adopt programs and receive no compensation for their service. Programs are implemented and operated by full-time staff headquartered in Cincinnati, Ohio. Efforts by the Commission are augmented by cooperative working relationships with the environmental agencies of the member States and the Federal government, as well as local water and wastewater utilities and river-based industries.

Activities of the Commission include setting waste water discharge standards, performing biological assessments, monitoring for chemical and physical properties of the waterways, conducting special surveys and studies, coordinating emergency response activities for spills or accidental discharges and promoting public participation in programs.

***Discretely Presented Component Unit.*** The Foundation for Ohio River Education (the "Foundation") was established to develop, manage and raise funds for education and public awareness relating to water quality in the Ohio River and its tributaries and to support the mission of the Commission.

### Basis of presentation

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

**Fund Financial Statements** Fund financial statements report detailed information about the Commission. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The pension trust fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fiduciary net position. The pension trust fund's operating statement present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

### **Fund accounting**

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The funds of the Commission are grouped into the categories governmental and fiduciary.

**Governmental funds** focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities and deferred inflows of resources is reported as fund balance. The Commission's only governmental fund is the General Fund.

**Fiduciary Funds** report on net position and changes in net position. The Commission's fiduciary fund consists of a pension trust fund which accumulates resources for pension benefit payments to qualified employees.

### **Basis of accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Commission is sixty days after fiscal year end.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, the pension trust fund utilizes accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

### **Budgetary basis of accounting**

The Commission prepares an annual budget for internal use covering the period July 1 through June 30. A significant funding source of the Commission is federal and local grants that have grant periods that may or may not coincide with the Commission's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of a local government in two respects: (1) the uncertain nature of grant awards from other entities; and (2) conversion of grant budgets to a fiscal year basis. The resultant annual budget is subject to constant change within the fiscal year due to changes in actual grant awards from estimated amounts, unanticipated grant awards not included in the budget, and expected grant awards which fail to materialize.

The Commissioners formally approve the annual budget with emphasis on complying with grant budgets, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. Although the annual budget is reviewed and approved by the Commissioners, it is not a legally adopted budget.

### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not used by the Commission.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The Commission defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition cost as of the date received.

The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	25 years
Furniture	15 years
Scientific equipment	3 - 10 years
Vehicles and vessels	5 - 18 years
Information systems	3 - 10 years

### **Leave policies**

Full-time, regular employees of the Commission earn annual leave, based on years of continuous service. Employees earn ten to twenty-five days of leave per fiscal year depending on length of service. Part-time regular staff will earn leave on a pro-rated basis. Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered.

The Commission's sick leave policy permits the accumulation of fifteen sick days per year, up to a maximum of 120 days for full-time employees and pro-rated for part-time regular employees. Employees are not paid for unused sick leave upon termination of employment. Accordingly, sick leave is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

### **Allocation of employee benefits and indirect costs**

The Commission's employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget Section 2 CFR Part 225. Employee benefits and indirect costs are allocated to grant projects as a percentage of direct labor costs.

### **Deferred outflows and inflows of resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. For the Commission, deferred outflows of resources are reported in the statement of net position for pension-related items (see Note 6).

In addition to liabilities, the statement of net position and the balance sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resource until that time. For the Commission, deferred inflows of resources include unavailable revenue and pension-related items. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year end). Deferred inflows of resources from pension-related items are reported on the government-wide statement of net position (see Note 6).

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources for pension-related items, and pension expense, information about the fiduciary net position of the Ohio River Valley Sanitation Commission Employees' Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Plan reports investments at fair value.

## **Fund balances**

Fund balances can be divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of the resources in the governmental funds (nonspendable, restricted, committed, assigned and unassigned). Classifications reported by the Commission are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available.

## **Net position**

Net position represents the difference between assets, deferred outflows of resources, 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 through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## **Estimates**

The preparation of 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.

## **2. DEPOSITS AND INVESTMENTS:**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a custodial credit risk policy. However, protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledges by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 102 percent of public funds on deposit with that specific financial institution. At year-end, the bank balance of the

Commission's deposits was \$2,729,401. Of that balance, \$500,000 was covered by federal depository insurance and \$2,229,401 was collateralized with securities held by the pledging financial institution's agent, but not in the Commission's name.

At year-end, the bank balance of the Foundation's deposits was \$241,401, all of which was covered by federal depository insurance.

### Investments

Custodial credit risk is the risk that in the event of a failure of a counter party, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investments are held in the pension plan and are uninsured and unregistered. See Note 6, "Retirement Plan."

### 3. RECEIVABLES:

Included in receivables are Federal and State administered grant receivables, which consist of receivables due under the terms of the grant agreements, including reimbursement of expenditures incurred. All amounts are expected to be collected within the next year.

### 4. CAPITAL ASSETS:

Changes in capital assets during the year ended June 30, 2021 were as follows:

	Balance 7/1/20	Additions	Disposals	Balance 6/30/21
<b><i>Governmental activities:</i></b>				
Buildings	\$ 1,199,900	\$ -	\$ -	\$ 1,199,900
Furniture	5,144	-	-	5,144
Scientific equipment	1,905,265	50,230	-	1,955,495
Vehicles and vessels	518,995	75,914	(32,312)	562,597
Information systems	35,560	-	-	35,560
	<u>3,664,864</u>	<u>126,144</u>	<u>(32,312)</u>	<u>3,758,696</u>
Less accumulated depreciation:				
Buildings	1,199,900	-	-	1,199,900
Furniture	5,144	-	-	5,144
Scientific equipment	1,624,627	94,383	-	1,719,010
Vehicles and vessels	408,916	57,291	(32,312)	433,895
Information systems	35,560	-	-	35,560
	<u>3,274,147</u>	<u>151,674</u>	<u>(32,312)</u>	<u>3,393,509</u>
Capital Assets, net	<u>\$ 390,717</u>	<u>\$ (25,530)</u>	<u>\$ -</u>	<u>\$ 365,187</u>

## 5. LONG-TERM OBLIGATIONS:

Changes in long-term obligations of the Commission for the year ended June 30, 2021 were as follows:

	Outstanding 7/1/20	Additions	Deletions	Outstanding 6/30/21	Due Within One Year
Accrued leave	\$ 112,550	\$ 102,226	\$ (112,550)	\$ 102,226	\$ 102,226
	<u>\$ 112,550</u>	<u>\$ 102,226</u>	<u>\$ (112,550)</u>	<u>\$ 102,226</u>	<u>\$ 102,226</u>

## 6. RETIREMENT PLAN:

### Ohio River Valley Water Sanitation Commission Employees' Pension Plan

*Plan description and administration.* The Commission maintains a single-employer defined benefit pension plan, Ohio River Valley Water Sanitation Commission Employees' Pension Plan (the Plan). The Plan covers all salaried employees who work at least 1,000 hours per year, who have completed one year of service and who have reached age twenty-one. Management of the Plan is vested with the Pension Committee, which consists of members appointed by the Commission.

*Plan membership.* At June 30, 2021, Plan membership consisted of the following:

Active participants	13
Disabled participants	1
Participants with deferred benefits	8
Participants receiving benefits	<u>11</u>
	<u>33</u>

The Plan was closed to new entrants, effective July 1, 2017.

*Benefits provided.* Benefits vest after five years of service and are established under the authority of the Commission. The Commission's employees who retire on or after age sixty-five with five years of credited service are entitled to receive monthly benefits for life in an amount equal to 2.0% of their average annual salary for each year of credited service. Average annual salary is defined as the sum of the five highest consecutive calendar years of earnings during the last ten years preceding retirement. The Plan also provides Death, Disability, and Termination Benefits, as well as provisions for early and late retirement.

*Contributions.* No member contributions are required to be made in accordance with the Plan. The Commission grants authority to establish and amend the contribution requirements to the Commissioners. The Commissioners establish rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the fiscal year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2021, the Commission's contributions to the Plan were \$254,715.

*Investments.* The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of June 30, 2021:

	<u>Amount</u>	<u>Fair Value Input</u>
Cash equivalents	\$ 37,290	n/a
Fixed income securities and mutual funds	1,715,234	Level 1
Equity securities and mutual funds	3,185,507	Level 1
	<u>\$ 4,938,031</u>	

*Investment policy.* The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Commissioners. It is policy of the Commission to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Commission's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Equities	45%	35% - 55%
Fixed Income	45%	35% - 55%
Alternatives	10%	0% - 20%
Cash	0%	0% - 20%
	<u>100%</u>	

*Concentration of credit risk.* The Plan's policy places no limit on the amount it may invest in any one issuer. The Plan had the following securities constituting 5% or more of total investments held by the Plan as of June 30, 2021:

<u>Security</u>	<u>Amount</u>	<u>Concentration</u>
Baird Aggregate Bond Fund	\$ 482,991	10%
iShares Core U.S. Aggregate Bond	439,869	9%
Blackrock Core Bond Portfolio	430,649	9%
Invesco QQQ Trust	394,126	8%
iShares Core S&P 500	315,561	6%

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the Plan held the following investments:

	<u>Amount</u>	<u>A and Above</u>	<u>BB to BBB</u>	<u>Not Rated</u>
Cash equivalents	\$ 37,290	\$ -	\$ -	\$ 37,290
Fixed income securities and mutual funds	1,715,234	1,354,088	361,146	-
Equity securities and mutual funds	3,185,507	-	-	3,185,507
	<u>\$ 4,938,031</u>	<u>\$ 1,354,088</u>	<u>\$ 361,146</u>	<u>\$ 3,222,797</u>

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a failure of a counter party, the Plan will not be able to recover the value of its investments or collateral securities that in the possession of an outside party. The Plan's investment securities are uninsured and unregistered.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is reduced by structuring the portfolio to meet cash requirements in order to avoid the need to sell securities prior to maturity.

*Rate of return.* For the fiscal year ended June 30, 2021, the estimated rate of return on pension plan investments, net of pension plan investment expense, was 21.29%.

*Net Pension Liability.* The components of the net pension liability of the Commission at June 30, 2021 were as follows:

Total pension liability	\$ 6,383,593
Plan fiduciary net position	<u>5,192,746</u>
Net pension liability	<u>\$ 1,190,847</u>

Plan fiduciary net position as a percentage of the total pension liability	81.35%
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*Changes in the Net Pension Liability.*

	<u>Increase (Decrease)</u>		
	<u>Plan</u>		
	<u>Total Pension</u>	<u>Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
<b>Balances at June 30, 2020</b>	\$ 6,256,092	\$ 4,342,864	\$ 1,913,228
<b>Changes for the fiscal year:</b>			
Service cost	61,807	-	61,807
Interest	461,975	-	461,975
Differences between expected and actual experience	(50,139)	-	(50,139)
Change in assumptions	(23,851)	-	(23,851)
Employer contributions	-	254,715	(254,715)
Net investment income	-	943,407	(943,407)
Benefit payments	(322,291)	(322,291)	-
Administrative expenses	-	(25,949)	25,949
<b>Net changes</b>	<u>127,501</u>	<u>849,882</u>	<u>(722,381)</u>
<b>Balances at June 30, 2021</b>	<u>\$ 6,383,593</u>	<u>\$ 5,192,746</u>	<u>\$ 1,190,847</u>

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.0% per year increase to normal retirement date
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Investment return	7.5% per year, compounded annually
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Mortality rates were based on the RP-2014 Table, projected with Scale MP-2020 on a fully generational basis.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future normal rates of return (expected returns, net of investment expenses and inflation) developed for each major asset class.

Best estimates of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	7.76%
Fixed Income	3.00%

Normal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.50%, less assumed investment advisory expense of 0.75%.

**Discount rate.** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefits payments to current Plan members.

**Sensitivity of the net pension liability to changes in the discount rate.** The following presents the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commission's net pension liability	\$ 1,933,743	\$ 1,190,847	\$ 564,608

**Change in assumptions.** For the June 30, 2021 valuation, the improvement scales were updated to the Scale MP-2020 on a fully generational basis.

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.** For the fiscal year ended June 30, 2021, the Commission recognized pension expense of \$30,089. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,305	\$ 135,424
Change in assumptions	-	33,077
Difference between projected and actual investment earnings	-	381,078
	<u>\$ 6,305</u>	<u>\$ 549,579</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended June 30:		
2022	\$ 2,672	\$ 182,519
2023	2,672	140,739
2024	961	105,602
2025	-	120,719
	<u>\$ 6,305</u>	<u>\$ 549,579</u>

## 7. CONTINGENT LIABILITIES:

### Federal, State, and Local Grants

The Commission received federal, state, and local grants for specific purposes that are subject to review and audit by grantor agencies or designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Commission believes all expenditures meet grant qualifications.

## 8. RISK MANAGEMENT:

The Commission is subject to property loss related to its buildings and equipment, as well as general liability in the normal course of operations. The risks of those losses are handled through third party property and casualty insurance. The Commission has maintained a consistent level of coverage and has not experienced significant insurance claims.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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**OHIO RIVER VALLEY WATER SANITATION COMMISSION**  
Schedule of Required Supplementary Information  
Schedule of Changes in the Commission's Net Pension Liability  
Last Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 61,807	\$ 59,329	\$ 61,351	\$ 66,487	\$ 69,223	\$ 50,823	\$ 58,079
Interest	461,975	448,082	448,476	450,463	434,633	414,704	381,326
Differences between expected and actual experience	(50,139)	11,649	(176,922)	(183,900)	107,314	94,035	67,964
Changes in assumptions	(23,851)	(14,009)	(11,959)	(19,064)	17,583	-	199,431
Benefit payments	<u>(322,291)</u>	<u>(322,291)</u>	<u>(325,999)</u>	<u>(344,342)</u>	<u>(333,176)</u>	<u>(298,946)</u>	<u>(227,242)</u>
<b>Net change in total pension liability</b>	127,501	182,760	(5,053)	(30,356)	295,577	260,616	479,558
<b>Total pension liability-beginning</b>	<u>6,256,092</u>	<u>6,073,332</u>	<u>6,078,385</u>	<u>6,108,741</u>	<u>5,813,164</u>	<u>5,552,548</u>	<u>5,072,990</u>
<b>Total pension liability-ending (a)</b>	<u>\$ 6,383,593</u>	<u>\$ 6,256,092</u>	<u>\$ 6,073,332</u>	<u>\$ 6,078,385</u>	<u>\$ 6,108,741</u>	<u>\$ 5,813,164</u>	<u>\$ 5,552,548</u>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ 254,715	\$ 281,592	\$ 290,325	\$ 274,575	\$ 338,570	\$ 300,000	\$ 300,000
Net investment income	943,407	176,231	299,463	204,856	283,445	28,790	87,733
Benefit payments	(322,291)	(322,291)	(325,999)	(344,342)	(333,176)	(298,946)	(227,242)
Administrative expense	(25,949)	(24,464)	(23,031)	(29,810)	(27,259)	(26,841)	(26,756)
Other	<u>-</u>	<u>-</u>	<u>8,062</u>	<u>38</u>	<u>72</u>	<u>194</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	849,882	111,068	248,820	105,317	261,652	3,197	133,735
<b>Plan fiduciary net position-beginning</b>	<u>4,342,864</u>	<u>4,231,796</u>	<u>3,982,976</u>	<u>3,877,659</u>	<u>3,616,007</u>	<u>3,612,810</u>	<u>3,479,075</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>\$ 5,192,746</u>	<u>\$ 4,342,864</u>	<u>\$ 4,231,796</u>	<u>\$ 3,982,976</u>	<u>\$ 3,877,659</u>	<u>\$ 3,616,007</u>	<u>\$ 3,612,810</u>
<b>Commission's net pension liability-ending (a) - (b)</b>	<u>\$ 1,190,847</u>	<u>\$ 1,913,228</u>	<u>\$ 1,841,536</u>	<u>\$ 2,095,409</u>	<u>\$ 2,231,082</u>	<u>\$ 2,197,157</u>	<u>\$ 1,939,738</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.35%	69.42%	69.68%	65.53%	63.48%	62.20%	65.07%
<b>Covered payroll</b>	\$ 974,101	\$ 974,101	\$ 940,337	\$ 1,026,623	\$ 1,130,363	\$ 1,187,107	\$ 1,035,532
<b>Commission's net pension liability as a percentage of covered payroll</b>	122.25%	196.41%	195.84%	204.11%	197.38%	185.09%	187.32%
<b>Estimated Money-Weighted Rate of Return</b>	21.29%	3.60%	7.57%	5.35%	6.69%	0.80%	2.50%

**Notes to Schedule**

Information prior to 2015 was not available. The Commission will continue to present information for years available until a full ten-year trend is compiled.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Schedule of Required Supplementary Information

Schedule of Commission Contributions

Last Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 202,604	\$ 269,593	\$ 254,715	\$ 276,549	\$ 290,325	\$ 396,042	\$ 338,570
Contributions in relation to the actuarial determined contributions	<u>254,715</u>	<u>281,592</u>	<u>290,325</u>	<u>274,575</u>	<u>338,570</u>	<u>300,000</u>	<u>300,000</u>
Contribution deficiency (excess)	<u>\$ (52,111)</u>	<u>\$ (11,999)</u>	<u>\$ (35,610)</u>	<u>\$ 1,974</u>	<u>\$ (48,245)</u>	<u>\$ 96,042</u>	<u>\$ 38,570</u>
Covered payroll	\$ 974,101	\$ 974,101	\$ 940,337	\$ 1,026,623	\$ 1,130,363	\$ 1,187,107	\$ 1,035,532
Contributions as a percentage of covered payroll	26.15%	28.91%	30.87%	26.75%	29.95%	25.27%	28.97%

**Notes to Schedule**

Information prior to 2015 was not available. The Commission will continue to present information for years available until a full ten-year trend is compiled.

*Valuation date:*

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

*Methods and assumptions used to determine contributions rates:*

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value of plan assets
Salary increases	3.00%
Investment rate of return	7.50% per year, compounded annually
Retirement age	Participants eligible under the Rule of 90 are assumed to retire at age 55-59 - 20%, 60-61 - 25%, 62-64 - 50%, 65 or later - 100%
Turnover	Crocker-Sarason T-6 Turnover Table
Mortality	RP-2014 table, projected with Scale MP-2020 on a fully generational basis

*Other information:*

In fiscal year 2017, the investment rate of return was lowered from 7.60% to 7.50% and the mortality table was updated from the RP-2014 table projected with Scale MP-2014 on a fully generational basis to the RP-2014 table projected with Scale MP-2016 on a fully generational basis.

In fiscal year 2018, the improvement scales were update to Scale MP-2017 on a fully generational basis.

In fiscal year 2019, the improvement scales were updated to the Scale MP-2018 on a fully generational basis.

In fiscal year 2020, the improvement scales were updated to the Scale MP-2019 on a fully generational basis.

In fiscal year 2021, the improvement scales were updated to the Scale MP-2020 on a fully generational basis.

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency:</u>			
Multipurpose Grants to States and Tribes	66.204	n/a	\$ 53,858
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	n/a	1,667,061
<i>(Passed through Indiana Department of Environmental Management)</i>			
Water Quality Management Planning	66.454	038652	150,000
<i>(Passed through Ohio Environmental Protection Agency)</i>			
Water Quality Management Planning	66.454	FD60419	51,657
			<u>201,657</u>
Total Federal Expenditures			\$ <u>1,922,576</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**Note A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Ohio River Valley Water Sanitation Commission ("Commission") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

**Note B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are report on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ORSANCO has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance and has negotiated an indirect cost rate with the Department of the Interior.

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

To the Commissioners of the  
Ohio River Valley Water Sanitation Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio River Valley Water Sanitation Commission ("the Commission") as of and for the year ended June 30, 2021, and related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 9, 2022.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
February 9, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

To the Commissioners of the  
Ohio River Valley Water Sanitation Commission:

**Report on Compliance for Each Major Federal Program**

We have audited the Ohio River Valley Water Sanitation Commission's ("the Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2021. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
February 9, 2022

**OHIO RIVER VALLEY WATER SANITATION COMMISSION**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified not considered to be material weakness(es)?	none reported
Noncompliance material to financial statements noted?	no

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified not considered to be material weakness(es)?	none reported

Type of auditors' report issued on compliance for major programs:	unmodified
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Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	no
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Identification of major program(s):

*Assistance Listing 66.419 Water Pollution Control State, Interstate, and Tribal Program Support*

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualify as low-risk auditee?	no
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**Section II – Financial Statement Findings**

None noted

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**Section IV – Prior Year Findings**

None noted.

