



OHIO AUDITOR OF STATE
KEITH FABER



**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY
DECEMBER 31, 2023**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Fund Net Position.....	15
Statement of Cash Flows	16
Notes to the Financial Statements.....	17
Required Supplementary Information:	
Schedule of the MSD's Proportionate Share of the Net Pension Liability (Ohio Public Employee Retirement System)	63
Schedule of MSD's Pension Contributions (Ohio Public Employee Retirement System).....	64
Schedule of the MSD's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability/(Asset) (Ohio Public Employee Retirement System).....	65
Schedule of MSD's OPEB Contributions (Ohio Public Employee Retirement System).....	66
Schedule of MSD's Changes in Net Pension Liability and Related Ratios (Cincinnati Retirement System)	67
Schedule of MSD's Pension Contributions (Cincinnati Retirement System)	69
Notes to the Required Pension Information (Cincinnati Retirement System)	70
Schedule of MSD's Changes in Net OPEB Liability/(Asset) And Related Ratios (Cincinnati Retirement System)	72
Schedule of MSD's OPEB Contributions (Cincinnati Retirement System).....	74
Notes to the Required OPEB Information (Cincinnati Retirement System)	75
Schedule of Expenditures of Federal Awards	77
Notes to the Schedule of Expenditures of Federal Awards.....	78
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	79
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	87

**METROPOLITAN SEWER OF GREATER CINCINNATI
HAMILTON COUNTY
DECEMBER 31, 2023**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Findings.....	91

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1605 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) 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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 16, 2024, on our consideration of the District'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. 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 District'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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
May 16, 2024

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

This section of the Metropolitan Sewer District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal years ended December 31, 2023, and December 31, 2022. Please read it in conjunction with the District’s basic financial statements and footnotes, beginning on page 13.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Assets and deferred outflows exceeded liabilities and deferred inflows by \$1,322 million at the close of the 2023 fiscal year.
- The District’s net position increased by \$33.2 million in 2023, or 2.6%.
- During fiscal year 2023, the District’s total assets increased \$38.9 million to \$2,415 million, a 1.6% increase.
- Total long-term liabilities decreased \$56.7 million to \$1,007 million in fiscal year 2023.
- The District’s debt service coverage ratio remains strong at 2.0 for fiscal year 2023.
- A refinance of the 2013A Bonds, occurred in April 2022, to a 2022A Revenue Bond. The balance of the 2013A Bonds were paid in full in December of 2023.

FINANCIAL STATEMENTS OVERVIEW

Financial Reporting Entity– The Metropolitan Sewer District of Greater Cincinnati is a Hamilton County enterprise fund managed and operated by the City of Cincinnati. The District is operated pursuant to the authority of the Revised Code authorizing the formation of joint sewer districts, agreements between counties and municipal corporations. The District provides sewage treatment within a service area of approximately 400 square miles and encompasses portions of four counties in southwestern Ohio. The District provides wastewater removal and treatment to over 220,000 residential, commercial, and industrial sewer connections and operates and maintains over 3,000 miles of sanitary and combined sewers, seven major wastewater treatment plants and 100 pump stations. As an enterprise fund, operations are reported on the full accrual basis of accounting: revenues are recognized when earned, and expenses are recognized when incurred. The County issues a separate Annual Comprehensive Financial Report which includes the District as a separate enterprise fund of the County. The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District’s overall financial status.

Financial Statement Structure --

In addition to the Independent Auditor’s Report, the annual financial report consists of three segments:

- The Management’s Discussion and Analysis provides explanations for, and analysis of, the District’s financial activities based upon currently known facts, conditions, and decisions of the District’s management. While primarily focused on the current year’s results compared with prior years, this discussion also addresses certain long-term issues, which may, in the management’s opinion, impact the District’s financial performance.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

- Basic Financial Statements, which depict the District’s financial position as of December 31, 2023, and 2022, along with earnings performance and cash flow information. These statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.
- The accompanying notes explain some of the financial statement data and provide more detailed information.

Required Basic Financial Statements -- The Statement of Net Position is the first required statement; it includes the District’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligations (liabilities) with the difference being reported as net position. It also provides the basis for computing the rates of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in the District’s net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation also need to be considered in assessing the District’s financial condition. The Statement of Revenues, Expenses, and Change in Net Position is the second required financial statement which demonstrates the changes in net position from one fiscal period to the next by accounting for revenues and expenditures and measuring the financial results of operations. This statement measures the profitability (i.e., change in net position) of the District’s operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District’s cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, and capital and noncapital financing activities. It also provides information regarding sources of cash, uses of cash, and changes in cash balances during the reporting period.

Notes to the audited financial statements contain information essential to understanding them, such as the District’s significant accounting policies and information about certain financial statement account balances.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

FINANCIAL ANALYSIS

Table A below shows that in fiscal year 2023, 93.4% of the District’s net position reflects its investment in capital assets (e.g., buildings, sewer laterals, and equipment), less related debt still outstanding used to acquire those assets. These capital assets are used primarily in the collection and treatment of wastewater throughout the District’s service area.

- The related liabilities will be repaid with resources provided by system users through rates and fees. Long-term debt (net of the current portion) decreased by \$59.6 million in 2023, or -7.7%, and decreased by \$63.4 million in 2022, or -7.6%.
- Net position increased \$33.2 million in 2023 and increased \$97.6 million in 2022. Percentage increase/decreases over the two-year period of 2.6%, and 8.2%, respectively. Total expenses in both years were due to fluctuations attributable to accounting for pensions, and price increases.

Table A
Condensed Summary of Net Position
(In Thousands)

	2023	Percentage Increase (Decrease) over 2022	2022	Percentage Increase (Decrease) over 2021	2021	Percentage Increase (Decrease) over 2020
Current and other assets	\$ 95,798	0.2%	\$ 95,623	1.0%	\$ 94,712	18.8%
Noncurrent (restricted) Assets	\$ 361,768	-4.1%	\$ 377,329	-12.1%	\$ 429,415	-6.5%
Capital assets, net	\$1,957,085	2.9%	\$ 1,902,834	1.9%	\$ 1,867,200	2.2%
Total assets	2,414,651	1.6%	2,375,786	-0.6%	2,391,327	1.0%
Deferred Outflows	\$ 18,492	-75.8%	\$ 76,424	216.2%	\$ 24,169	-81.4%
Current liabilities	\$ 94,811	10.4%	\$ 85,881	2.7%	\$ 83,657	9.4%
Noncurrent liabilities	\$1,007,127	-5.3%	\$ 1,063,837	11.3%	\$ 956,132	-27.8%
Total liabilities	\$1,101,938	-4.2%	\$ 1,149,718	10.6%	\$ 1,039,789	-25.8%
Deferred Inflows	\$ 9,640	-32.0%	\$ 14,175	-92.3%	\$ 184,994	849.6%
Net investment in capital assets	\$1,234,780	9.8%	\$ 1,124,409	9.2%	\$ 1,029,342	8.9%
Restricted	\$ 5,124	11.3%	\$ 4,602	2.7%	\$ 4,482	-2.0%
Unrestricted	\$ 81,661	-48.7%	\$ 159,306	1.5%	\$ 156,889	24.2%
Total Net Position	\$1,321,565	2.6%	\$ 1,288,317	8.2%	\$ 1,190,713	10.7%

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

Table B below shows total operating revenues for fiscal year 2023 of \$284.4 million, an increase of \$10.8 million, or 4.0%. Operating revenues were \$273.6 million, an increase of \$7.6 million, or 2.9% in 2022. Meanwhile, total expenses increased \$101.3 million, or 58.5%, in 2023 and increased \$18.0 million, or 11.6%, in 2022. Increases in total expenses in both those years were due to fluctuations attributable to accounting for pensions and price increases.

Table B
Condensed Summary of Revenues
Expenses and Changes in Net Position
(In Thousands)

	2023		2022		2021	
	Amount	Percentage Increase (Decrease) over 2022	Amount	Percentage Increase (Decrease) over 2021	Amount	Percentage Increase (Decrease) over 2020
Operating revenues	\$ 284,462	4.0%	\$ 273,618	2.9%	\$ 266,026	3.3%
Nonoperating revenues	14,187	-253.6%	(9,235)	5059.2%	(179)	-101.3%
Total revenues	298,649	13.0%	264,383	-0.6%	265,847	-2.1%
Depreciation and amortization expense	\$ 64,943	-3.5%	\$ 67,319	-0.7%	\$ 67,813	2.1%
Other operating expenses	133,299	-1.2%	134,868	12.9%	119,506	-4.6%
Pension Expense	55,127	-207.3%	(51,387)	-13.3%	(59,287)	-152.0%
Nonoperating expenses	21,106	-5.5%	22,332	-17.5%	27,078	-9.5%
Total expenses	\$ 274,475	58.5%	\$ 173,132	11.6%	\$ 155,110	-53.8%
Income from operations	\$ 24,174	-73.5%	\$ 91,251	-17.6%	\$ 110,737	-272.4%
Capital contributions	\$ 9,073	42.8%	\$ 6,354	53.7%	\$ 4,134	-5.6%
Change in net position	\$ 33,247	-65.9%	\$ 97,605	-15.0%	\$ 114,871	-291.9%
Total Net Position, beginning	1,288,318	8.2%	1,190,713	10.7%	1,075,842	-5.3%
Total Net Position, ending	\$1,321,565	2.6%	\$ 1,288,318	8.2%	\$ 1,190,713	10.7%

- Operating expenses, excluding depreciation, amortization, and net pension expense, decreased by \$1.6 million to \$133.3 million in 2023 from \$134.9 million in 2022. The decrease was due to a reduction in Purchased Services and Other Operating expenses. 2022 saw an increase of \$15.4 million, or 12.9%, over the prior year. The increase was due to utilities, fuel, supplies, purchased services and other expenses.
- Salary and wages increased \$136 thousand to \$60.8 million in 2023 compared to \$60.7 million in 2022. This was a combination of Salary and Wages and Benefits.
- Depreciation expense decreased \$2.4 million, or -3.5%, in 2023. Depreciation expense decreased \$0.5 million, -0.7%, in 2022 compared to the prior year.
- Non-operating expenses for 2023 were \$21.1 million, a decrease of \$1.2 million or -5.5%. 2022 decreased \$4.7 million, or -17.5%, due to changes in interest expense and the fair value of investments.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

Table C reflects year-end capital balances. As of December 31, the District’s investment in capital assets (net of accumulated depreciation) amounted to \$1,957 million in 2023, \$1,903 million in 2022. Capital assets increased \$54.2 million, or 2.9%, on system improvement projects, land acquired for those projects and equipment replacement in 2023. Capital contributions were \$9.1 million and \$6.4 million in 2023 and 2022, respectively.

Capital construction and sewer improvement projects were 76.1% in 2023 and 30.2% of the program in 2022. Additional information on the District’s capital assets can be found in Note 5 of the financial statements.

Table C
Capital Assets
(In Thousands)

	Percentage Increase (Decrease) over 2022		Percentage Increase (Decrease) over 2021		Percentage Increase (Decrease) over 2020	
	2023		2022		2021	
Land	\$ 12,313	0.0%	\$ 12,313	0.0%	\$ 12,313	20.9%
Buildings	390,603	14.2%	341,939	0.0%	341,939	0.1%
Leased Asset Building	15,000	0.0%	15,000	0.0%	15,000	0.0%
Equipment	796,415	2.2%	779,400	3.8%	751,084	3.4%
Sewer Laterals	1,577,569	7.1%	1,472,819	3.6%	1,420,974	5.4%
Construction in progress	453,673	-10.7%	507,895	3.8%	489,374	0.2%
Subtotal	\$3,245,573	3.7%	\$ 3,129,366	3.3%	\$ 3,030,684	3.4%
Less accumulated depreciation	1,283,426	5.0%	1,221,844	5.4%	1,159,172	5.5%
Less accumulated depreciation Leased Asset	5,062	8.0%	4,687	8.7%	4,312	9.5%
Net capital assets	\$1,957,085	2.9%	\$ 1,902,835	1.9%	\$ 1,867,200	1.9%

Bond Issuances

The District finances its construction program through a combination of revenue bonds, state revolving loans through the State of Ohio and cash, with the primary source being tax-exempt revenue bonds. The District’s revenue bond rates are:

- Moody’s Investors Services Aa2
- Standard & Poor’s Corporation AA+

Revenue bond service Debt Coverage in 2023 was 316% and 282% in 2022, compared to an Agency policy of 150% (25% higher than indenture requirements). The total debt coverage for 2023 was 199% and 178% in 2022, compared to the indenture requirement of 125%.

Rate Increase - Hamilton County Commissioners approved a 3% rate increase of the District’s sewer fee effective as of 1/1/2024.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

GASB 68

During 2015, the Metropolitan Sewer District of Greater Cincinnati adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Metropolitan Sewer District of Greater Cincinnati's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the Metropolitan Sewer District of Greater Cincinnati's proportionate share of each plan's collective:

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

GASB notes that pension 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. 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 Metropolitan Sewer District of Greater Cincinnati is not responsible for certain key factors affecting the balance of this liability. The Metropolitan Sewer District of Greater Cincinnati employees are covered by two pension systems. They are the City of Cincinnati Retirement System (CRS), and the Ohio Public Employees Retirement System (OPERS). The City of Cincinnati Retirement System (CRS) is accounted for as a single employer defined benefit pension plan. For CRS, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are set by the City of Cincinnati ordinance. The CRS system provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City of Cincinnati makes employer contributions based on a percentage of covered payroll of all CRS members. For Ohio PERS, 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 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

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)**

is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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 net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability 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 pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Metropolitan Sewer District of Greater Cincinnati's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

For additional information on the Management Discussion and Analysis please contact:

Metropolitan Sewer District of Greater Cincinnati
Office of the Director
1600 Gest Street, Cincinnati, OH 45204

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Metropolitan Sewer District
Statement of Net Position
For The Periods Ended December 31, 2023 And December 31, 2022
(All amounts expressed in thousands)

	2023	2022
ASSETS		
Current assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati (Note 2)	\$ 22,216	\$ 22,478
Accounts receivable (Note 3)	41,236	42,007
Prepaid expenses and other (Note 14)	1,940	1,324
Total current assets	65,392	65,809
Noncurrent assets:		
Restricted assets:		
Cash, cash equivalents, and pooled investments held by the City of Cincinnati		
Construction account (Note 2)	21,014	19,590
Amount to be transferred to surplus account (Note 2)	75,357	62,675
Held by trustee: (Note 4)		
Cash and cash equivalents (Note 2)	5,545	4,652
Investments - Held to maturity (Note 2)	259,852	290,412
Total restricted assets	361,768	377,329
Other assets:		
Other	30,406	29,814
Total other assets	30,406	29,814
Capital assets: (Note 5)		
Land	12,313	12,313
Buildings	405,603	356,939
Sewer Laterals	1,577,569	1,472,819
Equipment	796,415	779,399
Construction in progress	453,673	507,895
Total capital assets	3,245,573	3,129,365
Less:		
Accumulated depreciation	(1,288,488)	(1,226,531)
Net capital assets	1,957,085	1,902,834
Total noncurrent assets	2,349,259	2,309,977
Total assets	2,414,651	2,375,786
Deferred outflow of resources		
Deferred charges on refunding	3,708	4,694
Deferred Pension Outflows	14,784	71,730
Total Deferred Outflow of Resources	18,492	76,424

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Net Position
For The Periods Ended December 31, 2023 And December 31, 2022
(All amounts expressed in thousands)

	2023	2022
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Current portion of long-term debt (Note 6)	60,096	57,079
Current portion of compensated absences (Note 8)	5,913	5,677
Accounts payable	8,326	8,689
Accrued payroll expenses	3,088	3,267
Total current liabilities payable from current assets	77,423	74,712
Payable from restricted assets:		
Construction accounts payable	15,982	9,640
Accrued interest payable	1,406	1,529
Total current liabilities payable from restricted assets	17,388	11,169
Total current liabilities	94,811	85,881
Noncurrent liabilities:		
Accrued compensated absences (Note 8)	4,022	4,369
Long-term debt (Note 6)	711,236	770,907
Net Pension Liability CRS (Note 9)	288,294	287,387
Net Pension Liability OPERS	3,502	1,174
Net Other Post Employment Benefit Liability (Note 10)	73	0
Total noncurrent liabilities	1,007,127	1,063,837
Total liabilities	1,101,938	1,149,718
Deferred Inflow of resources		
Deferred Pension Inflows (Note 10)	9,640	14,175
Net position:		
Net investment in capital assets	1,234,780	1,124,409
Restricted	5,124	4,602
Unrestricted (Note 15)	81,661	159,307
Total Net Position	\$ 1,321,565	\$ 1,288,318

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Revenues, Expenses and Changes in Fund Net Position
For The Periods Ended December 31, 2023 And December 31, 2022
(All amounts expressed in thousands)

	2023	2022
REVENUES		
Operating revenues:		
Sewerage service charges	\$ 257,962	\$ 250,894
Sewer surcharges	22,801	18,747
All other revenues	3,699	3,977
Total operating revenues	284,462	273,618
EXPENSES		
Operating expenses:		
Personnel services:		
Salary and Wages	60,848	60,712
Pension Expense	55,127	(51,387)
Purchased services	36,548	36,941
Utilities, fuel and supplies	24,132	25,781
Depreciation and amortization	64,943	67,319
Other expenses	11,771	11,434
Total operating expenses	253,369	150,800
Operating income	31,093	122,818
NONOPERATING		
Nonoperating revenues (expenses):		
Interest income	8,776	4,057
Change in fair value of investments	5,411	(13,292)
Interest expense	(21,106)	(22,332)
Total nonoperating revenues (expenses)	(6,919)	(31,567)
Income (loss) before contributions	24,174	91,251
-		
Capital contributions	9,073	6,354
Change in net position	33,247	97,605
Total net position, beginning	1,288,318	1,190,713
Total net position, ending	\$ 1,321,565	\$ 1,288,318

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Cash Flows
For The Periods Ended December 31, 2023 And December 31, 2022

	2023	2022
Cash flows from Operating Activities:		
Cash received from customers	\$ 280,412	\$ 268,107
Cash payments for goods and services	(74,257)	(73,145)
Cash payments for personnel costs	(60,702)	(58,953)
Other operating revenues	2,699	3,437
Net Cash Provided by Operating Activities	148,152	139,446
Cash Flows from Capital and Related Financing Activities:		
Principal and interest payments on long-term debt	(81,794)	(82,082)
Acquisition and construction of capital assets	(107,413)	(105,756)
Loan and Grant proceeds	6,162	1,801
Transfer into construction account from trustee investment account	102,675	66,352
Transfer from operating cash account to trustee investment account	(62,675)	(66,352)
Tap-in fees	6,205	6,327
Proceeds from the sale of capital assets	131	181
Net Cash (Used) by Capital and Related Financing Activities	(136,709)	(179,529)
Cash Flows from Investing Activities:		
Purchase of government securities	(4,518)	13,407
Net increase (decrease) in fair value of cash and investments	5,411	(13,292)
Interest earned on investments	2,400	1,363
Net Cash Provided (Used) by Investing Activities	3,293	1,478
Net Increase (Decrease) in Cash and Cash Equivalents	14,736	(38,605)
Cash and Cash Equivalents at January 1	109,395	148,000
Cash and Cash Equivalents at December 31	\$ 124,131	\$ 109,395
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income from operations	\$ 31,093	\$ 122,818
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	64,943	67,319
Capital Expenses moved to Operating	19	90
Operating Expenses Reimbursed by interdepartmental billings and other agencies	(121)	(597)
Changes in assets and liabilities:		
Net change in customer accounts receivable	771	(569)
Net change in prepaid assets	(616)	219
Net change in other assets	(592)	1,999
Net change in operating accounts payable	(363)	2,002
Net change in accrued payroll and related expenses	(77)	1,104
Net Pension Liability	3,235	171,015
Net Other Post Employment Benefit Liability (Note 10)	73	0
Net Change in cash received from customers	(753)	(78)
Net Change in Deferred Charges on Refunding Outflows	986	1,327
Net Change in Deferred Pension Outflows	56,946	(53,582)
Net Change in Deferred Pension Inflows (Note 10)	(4,535)	(170,819)
Net Change in Capital Expenses 7600 moved to Fixed Assets in Fund 701	(2,857)	(2,802)
Net Cash Provided by Operating Activities	\$ 148,152	\$ 139,446
Non-cash Transactions:		
Structures donated as contributed capital in aid of construction	\$ 4,833	\$ 3,990
Acquisition and construction of capital asset paid directly by WPCLF loan proceeds	5,516	0
Construction accounts payable related to acquisition of capital assets	15,982	9,640

The notes to the financial statements are an integral part of the financial statements

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 1 - ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the accompanying financial statements follows:

Organization

The Metropolitan Sewer District of Greater Cincinnati (the District), an enterprise fund of the County of Hamilton, Ohio, collects and treats industrial and residential wastewater for municipalities and unincorporated areas of Hamilton County. The District was formed on April 10, 1968, pursuant to resolutions of the Board of County Commissioners of Hamilton County and Ordinances of the City of Cincinnati, providing for a consolidation of the City Sewer Department and the County Sewer District. The two entities executed an agreement with an initial 50-year term. Per the agreement, the City is responsible for operational management. The original agreement was set to expire in April 2018 but has since been extended indefinitely by the Federal District Court. The parties remain in mediation in the Federal District Court to resolve their remaining disputes.

Under a contract with the City of Cincinnati, the Board designated the City as its agent for the maintenance and operation of the District. The annual budget, prepared on a non-GAAP budgetary basis of accounting, is approved by the Board and administered by the City. Budgetary control is exercised at the divisional level, and between personnel and all other costs. The County issues a separate Annual Comprehensive Financial Report which includes the District as a separate enterprise fund of the County.

Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Statement of Cash Flows

For purposes of the Statements of Cash Flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Pooled cash and investments held by the City of Cincinnati are considered cash equivalents by the District.

Investments

The District is required by Ohio law to invest in only United States obligations; federal agency securities; Ohio bonds and other obligations or such obligations of political subdivisions of the state, provided that the subdivisions are located within Hamilton County; time certificates of deposit or deposit accounts in an eligible institution; and no-load money market mutual funds consisting only of investments mentioned above. Investments are required to mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the District.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

Prepays

Payments made for services that will benefit periods beyond fiscal year end December 31, 2023, are recorded as prepaids using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Inventory

Supplies and materials are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

Capital Assets

Capital assets include land, construction in progress, buildings, sewer laterals and mains, studies and equipment. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Capital assets are stated at historical cost for assets acquired after the District's inception in 1968. Assets which were acquired prior to 1968 and not identifiable with specific historical costs are not included in the capital assets balance. Assets acquired by the District through contributions, such as contributions from land developers and federal and state grants, are capitalized and recorded in the plant records at the contributors' reported cost. Construction costs include the cost of in-force labor. See Note 5 for more information on capital assets.

Land acquired for the District's use is titled to either the City of Cincinnati or Hamilton County. The cost of this land has been recorded on the books of the District since it has the full benefit of the land as an economic resource.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Depreciation expense is computed on the straight-line method over the estimated useful lives of the respective assets. The estimated lives are as follows:

Building	40 years
Sewer Laterals	40 years
Equipment	5-25 years

Any gain or loss arising from the disposal of capital assets has been credited or charged to income.

Unamortized Financing Costs

The unamortized financing costs include insurance, consulting and attorney fees incurred in connection with the revenue bond obligations. These amounts are being amortized on the straight-line method over the lives of the revenue bonds. Bond premiums and discounts are being amortized on the interest method over the lives of the revenue bonds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the statement of net position for deferred charges on refunding, pension and other postemployment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources have been recorded in the statement of net position for pension and OPEB, as explained in Notes 9 and 10.

Pension/OPEB Plans

Employees participate in either the City of Cincinnati's Retirement System or the Ohio Public Employees Retirement System. For purposes of measuring net pension liabilities and net OPEB assets, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair values.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Compensated Absences

Compensated absences include accrued vacation time, sick leave, compensatory time, and other related payments. Compensatory time and vacation time are paid out in full upon termination and are expensed in the year earned. Sick leave is paid out at various levels. The liability for sick leave is computed with the Termination Payment Method using an historical average of total years worked and total amount paid. The current amounts are an average of the annual expenditures. The entire compensated absence liability is reported on the financial statements.

Net Position

Net positions are the difference between assets, deferred outflows, deferred inflows, and liabilities. Net investment in capital assets are capital assets less accumulated depreciation and any outstanding long-term debt related to the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are legal limitations that are imposed on their use by county legislation or external restrictions by other governments, creditors or grantors. Restricted net positions of the District relate to debt service.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The District does not have net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for wastewater treatment. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

Contributions of Capital

Contributions of capital arise from outside contributions of capital assets or outside contributions of resources restricted to capital acquisition and construction.

Customer Assistance Program (CAP)

A Customer Assistance Program (CAP) was approved by the Board of Commissioners in April 2019 to take effect on July 31, 2019. This program is a 25% discount on sewer bills offered to low-income seniors over the age of 65. Depending on the number of customers that apply, the District estimates this could affect revenue in the amount of \$250,000 up to \$2.2 million, with 100% participation.

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent, or 102 percent if the financial institution participates in the Treasurer of State's Ohio Pooled Collateral System, of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Purchase Agreements*. The carrying value of the District's cash and cash equivalent deposits was \$118,587,000 and \$104,744,000 at December 31, 2023 and 2022, respectively.

Amounts held by the City of Cincinnati are invested on the District's behalf in accordance with the Cincinnati Municipal Code. Amounts held by the City are collateralized as part of the City's cash and investment balances. For GASB 40 disclosure requirements, refer to the financial statements as of June 30, 2023, for the City of Cincinnati.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institution's name, noncompliance with federal requirements could

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized and subject to custodial credit risk.

Investments

State Statute, board of county commissioners resolutions, and the 1985 Trust Indenture as amended authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily. Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The District has no investment policy that addresses interest rate risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Funds held by the trustee are eligible investments as defined by the Trust Agreement and are in the name of the trustee for the benefit of the District.

Investments made by the District are summarized below. Trustee account investments are categorized according to credit risk into the following categories: (1) insured or registered, or securities held by the District or its agent (bank trust department) in the District's name; or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; or (3) uninsured, unregistered securities held by the counterparty, or its trust department or agent but not in the District's name. Money market funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. As stated in GASB Statement No. 40, obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk and do not require disclosure of credit quality.

The money market funds are invested in a treasury obligation fund with a Moody's credit rating of Aaa.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Concentration of Credit Risk: The Metropolitan Sewer District uses the City of Cincinnati’s Investment Policy which addresses concentration of credit risk by requiring investments to be diversified to reduce risk of loss resulting from over concentration of assets in a specific issue or class of security. The following table includes the percentage of each investment type held by the District at December 31, 2023.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Investments held by the City of Cincinnati	\$118,443,844	30.86
U.S. Agency Securities	\$15,047,190	4.06
U.S. Treasury Securities	\$244,791,746	63.64
Money Market Funds	\$5,544,857	1.44
	<u>\$383,827,637</u>	<u>100.00</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments of the financial statements and the classification per GASB Statement No. 3 is as follows:

(all amounts in thousands)

December 31, 2023	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$123,989	\$259,839
Money Market Funds	(5,545)	5,545
Total	<u>\$118,444</u>	<u>\$265,384</u>

(all amounts in thousands)

December 31, 2022	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$109,395	\$290,412
Money Market Funds	(4,651)	4,651
Total	<u>\$104,744</u>	<u>295,063</u>

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Fair Value Measurements: District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The District has the following recurring fair value measurements as of December 31, 2023:

Investments by Fair Value Level	Fair Value Measurements Using (amounts in thousands)		
	Fair Value	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasury Securities	\$244,792	244,792	
U.S. Agency Securities	\$15,047		15,047
	\$259,839	\$ 244,792	\$ 15,047

U.S. Treasury securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. U.S. Agency securities classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by investment managers.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	(all amounts in thousands)	
	2023	2022
Sewer charges and surcharges:		
Unbilled amount	\$22,779	\$22,644
Billed amount	27,979	30,348
Less Allowance for doubtful accounts	(11,229)	(13,208)
Other	1,707	2,223
Total	\$41,236	\$42,007

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 4 - RESTRICTED ASSETS

The Trust Agreement for the Series A Revenue Bonds (see Long-Term Debt Note) requires the establishment of certain trust accounts including a Bond Account, Bond Reserve Account, and a Surplus Account to be held by the Trustee. The Bond Account will be used to accumulate periodic principal and interest payments. The Bond Reserve Account will be funded in an amount equal to the highest annual future debt service requirement. The Surplus Account is available to be used for any other Sewer System purpose. The Trust Agreement also requires the creation of a Construction Account to be held by the City to pay for project costs. At December 31, 2023 and 2022 the following balances (at fair value) were maintained in the trust accounts:

(all amounts in thousands)

	<u>2023</u>	<u>2022</u>
Held by trustee:		
Reserve	\$44,890	\$43,121
Bond retirement	5,137	4,605
Surplus	215,370	247,337
Total	<u>\$265,397</u>	<u>\$295,063</u>

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 5 - CAPITAL ASSETS

(all amounts in thousands)				
<u>December 31, 2023</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 12,313	\$ -		\$ 12,313
Construction in progress	507,895	113,579	(167,801)	453,673
	<u>\$ 520,208</u>	<u>\$ 113,579</u>	<u>\$ (167,801)</u>	<u>\$ 465,986</u>
Capital Assets, being depreciated:				
Buildings	341,939	48,664	-	390,603
Leased Asset Building	15,000			15,000
Equipment	779,400	20,032	(3,017)	796,415
Sewer Laterals	1,472,819	104,750	-	1,577,569
	<u>2,609,158</u>	<u>173,446</u>	<u>(3,017)</u>	<u>2,779,587</u>
Total Capital Assets	3,129,366	287,025	(170,818)	3,245,573
Less accumulated depreciation:				
Buildings	180,450	7,407		187,857
Leased Asset Building	4,687	375		5,062
Equipment	406,800	20,221	(2,986)	424,035
Sewer Laterals	634,594	36,940		671,534
Total Accumulated Depreciation	<u>1,226,531</u>	<u>64,943</u>	<u>(2,986)</u>	<u>1,288,488</u>
Net Capital Assets	<u>\$ 1,902,835</u>	<u>\$ 222,082</u>	<u>\$ (167,832)</u>	<u>\$ 1,957,085</u>

Capital Asset category Sewer Laterals is comprised of two asset types, one is Sewer Lateral which are depreciated and Study Assets which are amortized.

In 2023, Capital Assets depreciation expense was \$64,943,000 and Study Assets amortization expense was \$-0- for a total depreciation and amortization expense of \$64,943,000 for the year.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

(all amounts in thousands)					
<u>December 31, 2022</u>	<u>Beginning Balance</u>	<u>Lease Breakout</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:					
Land	\$ 12,313		\$ -		\$ 12,313
Construction in progress	489,374		99,899	(81,378)	507,895
	<u>\$ 501,687</u>		<u>\$ 99,899</u>	<u>\$ (81,378)</u>	<u>\$ 520,208</u>
Capital Assets, being depreciated:					
Buildings	356,939	(15,000)	-	-	341,939
Leased Asset Building		15,000			15,000
Equipment	751,084		28,690	(374)	779,400
Sewer Laterals	1,420,974		55,743	(3,898)	1,472,819
	<u>2,528,997</u>	<u>0</u>	<u>84,433</u>	<u>(4,272)</u>	<u>2,609,158</u>
Total Capital Assets	3,030,684	-	184,332	(85,650)	3,129,366
Less accumulated depreciation:					
Buildings	177,963	(4,312)	6,799		180,450
Leased Asset Building		4,312	375		4,687
Equipment	386,172		21,002	(374)	406,800
Sewer Laterals	599,349		35,245		634,594
Total Accumulated Depreciation	<u>1,163,484</u>	<u>0</u>	<u>63,421</u>	<u>(374)</u>	<u>1,226,531</u>
Net Capital Assets	<u>\$ 1,867,200</u>	<u>\$ -</u>	<u>\$ 120,911</u>	<u>\$ (85,276)</u>	<u>\$ 1,902,835</u>

Capital Asset category Sewer Laterals is comprised of two asset types, one is Sewer Lateral which are depreciated and Study Assets which are amortized.

In 2022, Capital Assets depreciation expense was \$63,421,000 and Study Assets amortization expense was \$3,898,000 for a total depreciation and amortization expense of \$67,319,000 for the year.

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following:

	(all amounts in thousands)					
	Principal Issue	Interest Rate %	Year of Maturity	2023	2022	
Revenue Bonds						
2022	134,605	5.00	2038	\$ 131,070	\$ 132,040	
2020	74,525	5.00	2035	58,075	64,435	
2019 - Direct Placement	107,970	4.00-5.00	2034	90,305	96,455	
2015	52,520	3.00-5.00	2025	4,080	5,980	
2014	162,650	4.00-5.00	2032	96,345	106,140	
2013 (a)	258,695	0.45-5.00	2023	-	8,560	
				379,875	413,610	
Ohio Water and Sewer						
Rotary Commission	-	-	-	50	50	
Ohio Public Works Commission	-	0.00-3.00	2041	203	243	
Water Pollution Control Loan Fund	-	2.50-3.50		328,160	344,972	
Lease Liability	15,000	2.00-5.00	2029	5,800	6,625	
Total obligations				714,088	765,500	
Bond Premiums				57,244	62,496	
Deferred loss on defeasance				(3,708)	(4,694)	
Current maturities				(60,096)	(57,079)	
Long-term portion				\$ 707,528	\$ 766,223	

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

(all amounts in thousands)

Year	Revenue Bonds		Direct Placement Bonds		WPCLF		OPWC		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	29,600	11,503	6,450	4,515	23,159	6,465	27	-	860	207
2025	30,840	10,266	6,760	4,192	23,585	5,958	10	-	895	173
2026	32,915	8,971	7,090	3,855	24,045	5,441	10	-	930	137
2027	30,540	7,643	7,380	3,500	24,619	4,886	10	-	965	99
2028	31,720	6,457	7,695	3,131	23,656	4,328	10	-	990	71
2029-2033	89,570	16,817	44,625	9,489	107,818	13,732	53	-	1,160	41
2034-2038	44,385	3,626	10,305	515	51,497	5,907	53	-	-	-
2039-2043	-	-	-	-	28,254	3,411	30	-	-	-
2044-2048					25,339	1,760	-			
2049-2052					11,545	257				
	<u>\$289,570</u>	<u>\$ 65,283</u>	<u>\$ 90,305</u>	<u>\$ 29,197</u>	<u>\$ 343,517</u>	<u>\$ 52,145</u>	<u>\$ 203</u>	<u>\$ -</u>	<u>\$ 5,800</u>	<u>\$ 728</u>

* This represents the WPCLF loan balances outstanding at 12/31/2023. The Total WPCLF loan amount available is \$343,518,805.

Bond discount, premium, and loss on defeasance activity for the year:

<u>December 31, 2023</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium	\$ 62,486	\$ (5,243)	\$ -	\$ -	\$ 57,243
Loss on defeasance	(4,693)	985	-	-	(3,708)
Total	<u>\$ 57,793</u>	<u>\$ (4,258)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,535</u>

<u>December 31, 2022</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium	\$ 75,250	\$ (4,680)	\$ (8,084)	\$ -	\$ 62,486
Loss on defeasance	(6,021)	1,327	-	-	(4,694)
Total	<u>\$ 69,229</u>	<u>\$ (3,353)</u>	<u>\$ (8,084)</u>	<u>\$ -</u>	<u>\$ 57,792</u>

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Long-term debt activity for 2023:

(all amounts in thousands)

<u>December 31, 2023</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 317,155	\$ -	\$ 27,585	\$ 289,570
Revenue Bonds - Direct Placement	\$ 96,455		\$ 6,150	\$ 90,305
Ohio Water and Sewer Rotary Commission	50			\$ 50
Ohio Public Works Commission	242		39	\$ 203
Water Pollution Control Loan Fund	344,972	5,526	22,338	\$ 328,160
Lease Liability	6,625		825	5,800
Total	<u>\$ 765,499</u>	<u>\$ 5,526</u>	<u>\$ 56,937</u>	<u>\$ 714,088</u>

Long-term debt activity for 2022:

(all amounts in thousands)

<u>December 31, 2022</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 336,465	\$ 134,605	\$ 153,915	\$ 317,155
Revenue Bonds - Direct Placement	\$ 102,320		\$ 5,865	\$ 96,455
Ohio Water and Sewer Rotary Commission	50	-	-	\$ 50
Ohio Public Works Commission	281	-	39	\$ 242
Water Pollution Control Loan Fund	366,666		21,694	\$ 344,972
Lease Liability	7,405	-	780	6,625
Total	<u>\$ 813,187</u>	<u>\$ 134,605</u>	<u>\$ 182,293</u>	<u>\$ 765,499</u>

Revenue Bonds – Direct Placement

Effective November 26, 2019, the District issued \$107,970,000 Series A, the Direct Placement Bond dated November 26, 2019. The proceeds from the 2019 Series A Bonds were used to defease the 2009B Revenue Bonds, in the amount of \$130,300,000, and pay for cost of issuance. The 2019 Series A Bonds were issued at a premium of \$23,045,166. The 2019A Bonds are special obligations of the District, payable solely from the new revenues of the District and were issued on parity with the 2009 and 2010, 2013, 2014, 2015 bonds, secured equally and ratably under the Trust Agreement.

The 2019 Direct Placement Bonds have savings a net present value of \$18,435,678.37.

Revenue Bonds

- a) Effective April 20, 2022, the District issued \$134,605,000 Series A, Sewer Refunding Revenue Bonds dated April 20, 2022. The proceeds from the 2022A Series Bonds were used to defease portions of the 2013A revenue bonds and pay for the cost of issuance. The 2022A Bonds are special obligations

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

of the District, payable solely from the net revenues of the District and were issued on parity with the 2013, 2014, 2015, 2019, 2020 bonds secured equally and ratably under the Trust Agreement. A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund \$125,985,000 of outstanding 2013A Bonds. As a result, these bonds are considered defeased and the liability of those bonds removed from the Balance Sheet.

The 2022A Bonds were sold at par, the District has, in effect reduced its aggregate debt services payments by \$18,109,320 and obtained a present value savings of \$14,522,761.

- b) Effective November 17, 2020, the District issued \$74,525,000 Series A, Sewer System Refunding Revenue Bonds dated November 17, 2020. The proceeds from the 2020 Series A Bonds were used to defease portions of the 2010A and 2010B revenue bonds and pay for the cost of issuance. The 2020 A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 2010, 2013, 2014, 2015, 2019 bonds secured equally and ratable under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund \$101,000,000 of outstanding 2010A and 2010B Bonds. As a result, these bonds are considered defeased and the liability of those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an account premium of \$18,870,385, the District has, in effect, reduced its aggregate debt service payments by \$18,190,000, and obtained a present value of savings of \$13,091,284.

- c) Effective March 3, 2015, the District issued \$52,520,000 Series A, Sewer System Refunding Revenue Bonds dated March 3, 2015. The proceeds from the 2015 Series A Bonds were used to defease portions of the 2005A revenue bonds and pay for the cost of issuance. The 2015A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund \$60,360,000 of outstanding 2005A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of \$1,464,000 in accordance with GASB 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the District has, in effect, reduced its aggregate debt service payments by \$16,845,000, and obtained a present value of savings of \$6,363,000.

- d) Effective November 19, 2014, the District issued \$162,650,000 Series A, Sewer System Refunding Revenue Bonds dated November 19, 2014. The proceeds from the 2014 Series A Bonds were used

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

to defease portions of the 2003, 2005, and 2006 revenue bonds and pay for the cost of issuance. The 2014A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund \$750,000 of outstanding 2003 Series A Bonds, \$61,190,000, of outstanding 2005 Series B Bonds, \$60,620,000 of outstanding 2006 Series A Bonds, \$52,505,000 of outstanding 2007 Series A Bonds, and \$6,790,000 of outstanding 2009 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of \$14,949,000 in accordance with GASB 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the District has, in effect, reduced its aggregate debt service payments by \$70,966,000, and obtained a present value of savings of \$24,543,000.

- e) Effective July 31, 2013, the District issued \$178,760,000 Series A, Sewer System Refunding Revenue Bonds and \$79,935,000 Series B, Sewer System Refunding Revenue Bonds dated July 31, 2013. A portion of the proceeds from the 2013 Series A and 2013 Series B Bonds were used to defease portions of the 2003 and 2004 revenue bonds and pay for the cost of issuance. The 2013A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, 2009B, 2010A, and 2010B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund \$112,720,000 of outstanding 2003 Series A Bonds, and \$28,470,000 of outstanding 2004 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

The remaining proceeds from the 2013 Series A and 2013 Series B bonds were used to permanently fund certain previous capital expenditures and fund the new bond reserve requirements.

The 2013 Series A and the 2013 Series B Revenue Bonds were paid off in December 2023.

At December 31, 2023, and December 31, 2022 the amount of defeased debt outstanding was \$379,875,000 and \$405,050,000, respectively.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Maturities for bonds over the next five years and thereafter are shown below:

(all amounts in thousands)

<u>Year</u>	<u>2022 Bonds</u>	<u>2020 Bonds</u>	<u>2019 Bonds</u>	<u>2015 Bonds</u>	<u>2014 Bonds</u>	<u>Total</u>
2024	10,650	6,675	6,450	1,990	10,285	\$ 36,050
2025	10,940	7,000	6,760	2,090	10,810	\$ 37,600
2026	13,985	7,335	7,090	-	11,595	\$ 40,005
2027	14,985	3,400	7,380	-	12,155	\$ 37,920
2028	15,410	3,560	7,695	-	12,750	\$ 39,415
2029-2034	30,365	20,455	44,625	-	38,750	\$ 134,195
2035-2038	34,735	9,650	10,305	-		\$ 54,690
2039-2044	-					\$ -
	<u>\$131,070</u>	<u>\$ 58,075</u>	<u>\$90,305</u>	<u>\$ 4,080</u>	<u>\$ 96,345</u>	<u>\$379,875</u>

Under the terms of the amended revenue bond trust indenture, the District has agreed to certain covenants, among other things, to restrict additional borrowing, maintain rates sufficient to meet debt service requirements and maintain specified fund balances under trust agreements.

The Revenue bond issues as discussed above contain covenants which require the District to maintain a level of debt service coverage. The following calculation reflects the District's debt service coverage.

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

(all amounts in thousands)

	2023	2022
Revenues:		
Total operating revenues	\$ 284,462	\$ 273,618
Interest income	8,776	4,057
Tap-in/connection fees	4,833	3,990
Total pledged revenue	298,071	281,665
Total operating and maintenance expenses less depreciation and amortization, pension expense	133,299	134,868
Net income available for debt service (a)	\$ 164,772	\$ 146,797
Principal and interest requirement on revenue bonds (b)	\$ 52,068	\$ 52,078
Principal and interest requirements on obligations (c)	\$ 82,770	\$ 82,641
Debt service coverage		
Revenue bonds (a) divided by (b)	316%	282%
All obligations (a) divided by (c)	199%	178%
Maximum debt service coverage required on revenue bonds	125%	125%

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Ohio Water Development Authority Contracts

All contracts between the Ohio Water Development Authority (OWDA) and the Metropolitan Sewer District require the District to prescribe and charge such rates for sewer usage which are sufficient (after expenses of operation and maintenance) to pay principal and interest on OWDA contracts. The principal is repayable in equal semi-annual installments to maturity.

Water Pollution Control Loan Fund

The District has received low interest loan commitments from the Ohio Water Pollution Control Loan fund for certain qualified projects. As the projects progress the commitments are drawn down. The principal is repayable in semi-annual installments to the date of maturity for each project.

Ohio Water and Sewer Rotary Commission

Advances from Ohio Water and Sewer Rotary Commission represent tap-in fees and acreage assessments to be forwarded to the Commission upon collection from customers. Such advances do not bear interest unless they are determined to be in default.

Ohio Public Works Commission

The District has entered into agreements with the Ohio Public Works Commission (OPWC) for financing of certain qualified capital projects. As the projects progress the commitments are drawn down as funds are paid by OPWC directly to the contractors. The principal is repayable in semi-annual installments to the date of maturity for each project.

Interest on Long-Term Obligations

The following interest costs were incurred and expensed or capitalized as part of the cost of the District's additions to capital assets.

(all amounts in thousands)

	2023	2022
Interest incurred	\$ 21,106	\$ 22,332
Less interest capitalization	-	-
Interest expense	\$ 21,106	\$ 22,332

The District implemented the GASB 89 Accounting for Interest Cost incurred before the end of a construction period in 2018.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 7 – LEASE LIABILITY

The District entered into a capital lease liability for a new engineering building in 2010. The leased asset was capitalized at the amount of the present value of the minimum lease payments at inception of the lease. Capital assets acquired under capital lease are as follows:

Buildings	\$15,000,000
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The following is a schedule of the future minimum lease liability payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

(all amounts in thousands)

Fiscal Year Ending December 31,	Long-Term Debt
2024	1,067
2025	1,067
2026	1,067
2027	1,065
2028	1,061
2029	1,201
Total Minimum Lease Liability Payments	6,528
Less: Amount Representing Interest	(728)
Present value of Minimum Lease Liability Payments	\$ 5,800

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**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

NOTE 8 – COMPENSATED ABSENCES

Compensated Absences

Compensated absences consist of vacation time, sick pay, and compensatory time. The following is a summary of activity for 2023 and 2022. \$5,913 is considered due within one year for compensated absences as of December 31, 2023.

(all amounts in thousands)

	<u>Beginning</u>		<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
2023	\$ 10,046		\$ 5,721	\$ 5,832	\$ 9,935
2022	\$ 8,959		\$ 5,284	\$ 4,197	\$ 10,046

NOTE 9 – DEFINED BENEFIT PENSION PLANS

The District employees are covered by one of two pension systems: the Ohio Public Employees Retirement System (OPERS) and the City of Cincinnati Retirement System (CRS). OPERS is a cost-sharing multi-employer defined benefit pension plan. CRS is accounted for as a single-employer defined benefit plan.

Net Pension Liability

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

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees, of salaries and benefits for employee services. Pensions 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 is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s actuarial present value (or with the OPERS cost-sharing, multiple-employer plan, the District’s proportionate share of the pension plan’s collective actuarial present value) of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually. The District's share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

A. Ohio Public Employees Retirement System (OPERS)

Ohio Revised Code limits the District's obligation for liabilities to OPERS to annually required payments. The District cannot control benefit terms or the manner in which pensions from the cost-sharing, multiple-employer plan is financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 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). State statute requires the pension plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

Plan Description – OPERS

A limited number of the District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Effective January 1, 2022, members may no longer select the combined plan. While members (e.g., District employees) may elect the Member-Directed Plan or the Combined Plan, most employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 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. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the Traditional Pension Plan as

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

per the reduced benefits adopted by SB 343 (see OPERS’ ACFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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 year 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

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings 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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. 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%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For fiscal year 2023, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution was \$213,000 for 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related – OPERS

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. The District’s proportion, change in proportion and proportionate share of the net pension liability was 0.01185511%, a decrease of 0.001603914%, and \$3,502,000, respectively. Pension expense for the District was a negative \$6,000.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Net</u>
MSD contributions subsequent to the measurement date	\$ 213	\$ -	\$ 213
Net difference between projected and actual investment earnings	999	-	999
Difference between expected and actual experience	117	-	117
Change in assumptions	37	-	37
Change in MSD's proportionate share	-	(149)	(149)
	<u>\$ 1,366</u>	<u>\$ (149)</u>	<u>\$ 1,217</u>

\$213,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of <u>Resources</u>
2024	\$ 30
2025	191
2026	294
2027	489
	<u>\$ 1,004</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Wage inflation	2.75%
Future salary increases (including inflation)	2.75% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2022, then 2.05% simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, 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 Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. 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 Defined Benefit portfolio was a loss of 12.1% for 2022.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00%	4.60%
Real Estate	13.00%	3.27%
Private Equity	15.00%	7.53%
International Equities	21.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	<u>5.00%</u>	3.27%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.90% . 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (5.9%) and one-percentage point higher (7.9%) than the current rate (amounts in thousands):

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
MSD's proportionate share of the net pension liability	\$ 5,262	\$ 3,502	\$ 2,058

B. City of Cincinnati Retirement System (CRS)

Plan Description – CRS

Employees who do not participate in OPERS participate in CRS. CRS is accounted for as a single employer defined benefit pension plan. CRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CRS is considered part of the City of Cincinnati's financial reporting entity and is included in the City's financial report as a pension trust fund.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

The financial report that includes financial statements, required supplementary information and detailed information about CRS' fiduciary net position may be obtained by visiting <http://cincinnati-oh.gov/finance/financial-reports/>. Article XV of the Administrative Code of the City of Cincinnati provides the statutory authority vesting the general administration and responsibility for the proper operation of the System in the Board of Trustees of the City of Cincinnati Retirement System.

Information in the remainder of this footnote is provided for the District's portion, being reported as an agency fund of the City, which also participates in and contributes to CRS, with a measurement date of June 30, 2023.

A major plan revision was approved by the City Council on March 16, 2011, and adopted by the CRS's Board. The plan allows for a two- and half-year transition period from July 1, 2011, to January 1, 2014. Active members who are eligible or become eligible to retire and elect to retire during this transition period can retire with 30 years of creditable service or at age 60 with at least five years of creditable service and will receive benefits according to the current plan as described below.

A Collaborative Settlement Agreement (CSA) was executed on May 7, 2015, and approved by the United States District Court on October 5, 2015. The CSA impacts employees who were retired on or before July 1, 2011 and employees who were in service on July 1, 2011 and who were vested (had 5 years' service credit) on that date. Employees who are members of the CRS who did not meet those criteria remained subject to the plan provisions adopted in Ordinances No 84-2011 and 85-2011.

The CSA implemented a number of changes to the CRS, including, but not limited to:

- Normal retirement eligibility;
- Early retirement eligibility;
- Retiree healthcare eligibility;
- Cost of living adjustments payable to retirees;
- Establishment of a Deferred Retirement Option Program (DROP);
- Creation of a 115 Trust for retiree healthcare benefits;
- Changes to the composition of the Board of Trustees; and
- Payoff of the 2007 Early Retirement Incentive Program (ERIP) liability.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Groups C & D Eligible to retire on or before July 1, 2011; or December 31, 2013	Group E Eligible to retire on or before December 31, 2013	Group F Hired before January 1, 2010 and not eligible for other groups	Group G Hired on or after January 1, 2010
Normal Retirement: Age 60 with 5 years of service, or any age with 30 years of service	Normal Retirement: Age 60 with 5 years of service, or any age with 30 years of service	Normal Retirement: Age 60 with 5 years of service, or any age with 30 years of service	Normal Retirement: Age 67 with 5 years of service, or age 62 with 30 years of service
Early Retirement: Age 55 with 25 years of service	Early Retirement: Age 55 with 25 years of service	Early Retirement: Age 55 with 25 years of service	Early Retirement: Age 57 with 15 years of service
Benefit Formula: 2.5% of AHC times years of service	Benefit Formula: 2.5% of AHC times years of service up to greater of 20 years or years of service as of July 1, 2011, and 2.2% thereafter	Benefit Formula: 2.5% of AHC times years of service up to greater of 20 years or years of service as of July 1, 2011, and 2.2% thereafter	Benefit Formula: 2.2% of AHC times years of service up to 30 years; 2.0% over 30 years

Average Highest Compensation (AHC) represents the average of the highest three consecutive years of earnings for Groups C and D. Group E will have a benefit with up to a three-step formula. The first step is the AHC based upon three consecutive years of earnings for service through December 31, 2013. The second step is the AHC based upon five consecutive years of earnings for service on and after January 1, 2014. The third step is for service in excess of 20 years and is based on the AHC for three consecutive years of earnings. Similarly, Group F will have a benefit with up to a three-step formula. The first step is the AHC based upon three consecutive years of earnings for service through June 30, 2011. The second step is the AHC based upon five consecutive years of earnings for service on and after July 1, 2011. The third step is for service in excess of 20 years and is based on the AHC for three consecutive years of earnings. The AHC for Group G is based on the average of the highest five consecutive years of earnings. Upon retirement, members will not receive a cost-of-living adjustment (COLA) for the first three retirement anniversary dates. Thereafter, a 3% simple COLA benefit will be provided. A COLA poverty exception is available for members who meet certain financial requirements.

In fiscal year 2021, an ERIP was offered to employees who met certain eligibility requirements. The ERIP provided two additional years of membership service credit to full-time employees who had 28 years or more of service credit (and were at least age 62 for Group G) or who had at least five years of service credit and were at least age 60 (or at least age 67 for Group G) by December 31, 2020. Only employees in CRS were eligible. The additional actuarial accrued liability associated with the fiscal year 2021 ERIP was approximately \$24,671,000 and is to be funded by separate contributions made by the Plan over a 15-year period. The annual payments are received by July 30 each fiscal year.

Members of the Active Employee Class, under the Collaborative Settlement Agreement, who have a minimum of 30 years' service credit are eligible to participate in the deferred retirement option plan (DROP). Upon entry into DROP, the member's monthly pension benefit is calculated as if they retired on

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

that date. DROP participants continue to work as a District employee and if eligible, may continue to be enrolled in a District sponsored employee healthcare plan. Maximum participation in the DROP is five years. Members who participate in DROP continue to contribute 9% of their pensionable earnings to CRS. The participant’s monthly pension benefit amount (calculated as described above), as well as 75% of the participant’s required CRS employee contributions, and interest earnings on their DROP account balance, accumulate tax-deferred in an account held in trust by the CRS. Participants do not have access to the funds in their DROP account while employed and participating in the DROP.

Interest is paid on DROP account balances quarterly at the rate equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve, with a cap of 5%. The variable interest rate is determined quarterly. The rate for the last business day of each calendar quarter is applied to the following quarter.

The balance of the participant’s DROP account is paid out in a lump sum or to another tax-qualified account (such as an IRA or 457 Deferred Compensation Plan) selected by the participant within 120 days of their retirement effective date.

Membership in the CRS pension as of the June 30, 2023, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits	4,148
Terminated plan members and beneficiaries (optionees) entitled to future benefits	275
Deferred retirement option plan (DROP) participants	157
Active plan members:	
Full-time	2,718
Part-time	1,257
Total	8,555
Inactive participants**	10,196

** Participants who are former employees who have an employee account balance in the plan but are not otherwise vested in an employee provided benefit.

Funding Policy—Each member contributes at a rate of 9.0% of his pensionable wages for 2023. The percent contributed by employees is provided by Chapter 203 Section 73 of the Cincinnati Municipal Code. The District makes employer contributions based on a percentage of the covered payroll of all CRS members. For 2023, the contribution rate was 16.25%. The District’s contributions to the City of Cincinnati Retirement System’s Pension Fund for the year ending December 31, 2023, were \$7,386,000.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CRS

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The District reported a net pension liability of \$288,294,000 and a pension expense of \$60,790,000.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>		<u>Net</u>
MSD contributions subsequent to the measurement date	\$ 3,809	\$ -	\$	3,809
Differences between expected and actual experience	234	-		234
Net difference between projected and actual investment earnings	2,543	-		2,543
Change in proportion	-	(4,199)		(4,199)
Change in assumptions	4,177	-		4,177
	<u>\$ 10,763</u>	<u>\$ (4,199)</u>	<u>\$</u>	<u>6,564</u>

\$3,809,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (amounts in thousands):

		Net Deferred Outflows/ (Inflows) of <u>Resources</u>
Year Ended December 31:		
2024	\$	186
2025		(5,253)
2026		7,880
2027		(58)
	<u>\$</u>	<u>2,755</u>

Actuarial Assumptions: Total pension liability was determined by the following actuarial valuations, using the following actuarial assumptions, applied to applicable periods included in the measurement:

Inflation	2.75%
Salary increases, including inflation	3.75% to 7.50%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.50%

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Municipal bond index rate:	
Measurement date	3.65%
Prior measurement date	3.54%
Single equivalent interest rate, net of pension plan investment expense, including inflation	
Measurement date	5.23%
Prior measurement date	5.25%

Active member mortality rates were based on the RP-2014 Mortality Table, with generational mortality improvement projections using the MP-2017 scale. Health inactive member mortality rates were based on the RP-2014 Mortality Table, with generational mortality improvement projections using the MP-2017 scale and set forward two years for both males and females. Disabled inactive member mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, with generational improvement projections using the MP-2017 scale. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of the last actuarial experience study adopted by the CRS Board on March 23, 2023.

Long Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using expected return and volatility figures which were developed by Marquette Associates using their asset allocation software. The program simulates a variety of economic environments based on macroeconomic variables, and this simulation allows us to model the underlying probabilities of capital market returns. By running the monthly simulations over a 10-year basis and performing 1,000 trials, they develop results for expectations of capital market performance. Expected risk and return values for all asset classes are updated every six months, as the underlying data and assumptions reflect current market values and trends.

The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table (* geometric mean):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	9.0 %	4.8 %
Core Plus Bonds	11.5 %	5.7 %
High Yield	2.0 %	8.4 %
Private Debt	3.0 %	9.9 %
All Cap U.S. Equity	21.5 %	7.1 %
Large-Cap Value Equity	2.5 %	7.0 %
Mid-Cap Value Equity	2.0 %	7.5 %
Small-Cap Value Equity	2.5 %	8.1 %
Non-U.S. All Cap	16.0 %	7.5 %
Emerging Markets-Small Cap	2.0 %	7.8 %
Real Estate Core Equity	7.5 %	6.5 %
Infrastructure	10.0 %	6.9 %
Volatility Risk Premium	2.5 %	6.3 %
Private Equity	8.0 %	11.1 %
Total	100.0 %	

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Discount Rate. The discount rate used to measure the total pension liability was 5.23% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made as set out in the CSA. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current members through 2047. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments through 2047 and at the municipal bond rate of 3.65% to the extent they are not available after 2047. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2023, is 5.23%. By comparison, the single equivalent rate used to determine the total pension liability as of June 30, 2022, was 5.25%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following chart represents the District financial reporting entity's proportionate share of the net pension liability calculated using the current period discount rate assumption of 5.23%, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate (amounts in thousands):

	1% Decrease (4.23%)	Current Discount Rate (5.23%)	1% Increase (6.23%)
MSD's Net Pension Liability	\$ 359,867	\$ 288,294	\$ 228,645

Change in the Net Pension Liability: Changes in the District financial reporting entity's net pension liability for the measurement year ended June 30, 2023, were as follows (amounts in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 588,981	\$ 301,594	\$ 287,387
Changes for the year:			
Service cost	6,993	-	6,993
Interest	29,950	-	29,950
Difference between expected and actual experience	578	-	578
Change in assumptions	10,320	-	10,320
Contributions - employer	-	7,722	(7,722)
Contributions - employee	-	3,947	(3,947)
Net investment income (loss)	-	22,411	(22,411)
Benefit payments, including refunds of employee contributions	(35,045)	(35,045)	-
Administrative expense	-	(333)	333
Other changes	-	13,187	(13,187)
Net changes	<u>12,796</u>	<u>11,889</u>	<u>907</u>
Balances at June 30, 2023	<u>\$ 601,777</u>	<u>\$ 313,483</u>	<u>\$ 288,294</u>

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

The total pension liability (TPL) at the end of the measurement year, June 30, 2023, is measured as of the valuation date of December 31, 2022, and projected to June 30, 2023. Valuations will be completed every year. Each valuation will be rolled forward six months to provide the GAAP basis liability. There were assumption changes during the period, which are reflected in the amounts. The TPL and service cost have been determined using the entry age actuarial cost method as required by GASB Statement No. 67.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The two retirement systems District employees participate in provide defined benefit postemployment benefits other than pension. The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit OPEB plans. The City of Cincinnati Retirement System (CRS) is accounted for as a single-employer defined benefit OPEB plan.

Net OPEB Liability / (Asset)

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

The net OPEB liability / (asset) reported on the statement of net position represents a liability or asset to fund employee OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB is 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The District’s share of each fully-funded benefits are presented as either a long-term *net OPEB asset* or *net OPEB liability* on the accrual basis of accounting.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

A. Ohio Public Employees Retirement System (OPERS)

Ohio Revised Code limits the District's obligation for liabilities to OPERS to annual required payments. The District cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plan is financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement system to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability / (asset). Resulting adjustments to the net OPEB liability / (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description— OPERS

The District contributes to the health care plans administered by OPERS. OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans; the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a 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 pension 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 of qualified medical expenses for their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via a Health Reimbursement Arrangement allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 another post-employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' ACFR referenced below for additional information.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

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.shtm>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy—The Ohio Revised Code provides the statutory authority 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 2023, state and local employers contributed at a rate of 14% of earnable salary. These are 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. The portion of employer contributions allocated to health care was 0% for members in the Traditional Pension and 2% for members in the Combined Plan.

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 into the RMA for participants in the Member-Directed Plan for 2023 was 4.0%.

OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB—OPERS

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB asset was based on the District's share of contributions to the respective retirement system relative to the contributions of all participating entities. The District's proportion, change in proportion and proportionate share of the net OPEB liability was 0.01156894%, a decrease of 0.00161752%, and \$73,000, respectively. OPEB expense for the District was negative \$168,000.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Net</u>
MSD contributions subsequent to the measurement date	\$ 3	\$ -	\$ 3
Net difference between projected and actual investment earnings	145	-	145
Difference between expected and actual experience	-	(18)	(18)
Change in assumptions	71	(6)	65
Change in MSD's proportionate share	-	(4)	(4)
	<u>\$ 219</u>	<u>\$ (28)</u>	<u>\$ 191</u>

\$3,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Net Deferred Outflows/ (Inflows) of <u>Resources</u>
Year Ended December 31:	
2024	\$ 21
2025	52
2026	45
2027	70
	<u>\$ 188</u>

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB asset was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation:

Current measurement period	2.75%
Prior measurement period	2.75%

Projected salary increases

Current measurement period	2.75% to 10.75%, including wage inflation
Prior measurement period	2.75% to 10.75%, including wage inflation

Single discount rate:

Current measurement period	5.22%
Prior measurement period	6.00%

Investment rate of return 6.00%

Municipal bond rate:

Current measurement period	4.05%
Prior measurement period	1.84%

Health care cost trend rate:

Current measurement period	5.5% initial, 3.50% ultimate in 2036
Prior measurement period	5.5% initial, 3.50% ultimate in 2034

Actuarial cost method Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, 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 Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

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 was a loss of 15.6% for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00%	4.60%
REITs	7.00%	4.70%
International Equities	25.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	<u>6.00%</u>	1.84%
Total	<u>100.00%</u>	

Discount Rate. A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2022. 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates. The following table present the net OPEB liability calculated using the single discount rate of 5.22% and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate (amounts in thousands):

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
MSD' proportionate share of the net OPEB liability / (asset)	\$ 248	\$ 73	\$ (72)

Sensitivity of the District’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.

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 2023 is 5.50%. 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
MSD' proportionate share of the net OPEB liability	\$ 68	\$ 73	\$ 78

B. City of Cincinnati Retirement System (CRS)

Plan Description – CRS

CRS provides health care coverage to eligible retirees, their spouse and dependent children and is accounted for as a single employer defined benefit OPEB plan. Active members in Group C who have earned fifteen years of membership service at the time of termination are eligible upon retirement. Other active members are eligible for retiree health care upon their retirement after reaching age 60 with 20 years of membership service, or any age with 30 years of service of which 20 years must be earned with CRS. Active members whose most recent membership enrollment date is on or after January 1, 2016 are not eligible for retiree health care benefits upon retirement.

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

CRS offers medical and prescription benefits to retirees before and during Medicare eligibility. Prescription benefits for Medicare eligible participants are provided through a Medicare Part D Employer Group Waiver Plan. CRS administers three health care plans that differ by deductibles, co-pays and out-of-pocket maximums. Two plans are closed groups. The third plan for eligible members who retire on or after January 1, 2016, follows the most advantageous plan offered to active District employees. Membership in CRS OPEB as of the June 30, 2023, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits*	4,762
Terminated plan members and beneficiaries (optionees)	
Entitled to future benefits	372
Deferred retirement option plan (DROP) participants	157
Active plan members:	
Full-time	1,593
Part-time	163
Total	7,047

* OPEB members include 1,353 spouses currently receiving retiree health benefits.

CRS is considered part of the City of Cincinnati’s financial reporting entity and is included in the City’s financial report as part of the pension trust fund. The financial report that includes the financial statements, required supplementary information and detailed information about CRS’ fiduciary net position may be obtained by visiting <http://cincinnati-oh.gov/finance/financial-reports/>. Information in the remainder of this footnote is provided for the District’s portion, being reported as an agency fund of the City, which also participates in and contributes to the CRS, with a measurement date of June 30, 2023.

Funding Policy — Most retirees are subject to premiums that range from 0% to 10%. Other retiree premiums range from 10% to 75% depending on their date of hire, years of service and age at retirement. All members electing to participant in the dental and/or vision plan are required to pay the full cost of coverage. As such, it was assumed that CRS has no liability under GASB Statement No. 74 for these benefits.

OPEB (Asset), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB—CRS

The District’s net OPEB (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2022. The District reported a net OPEB asset of \$30,250,000 and negative OPEB expense of \$5,532,000.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ 253	\$ (1,072)	\$ (819)
Net difference between projected and actual investment earnings	877	-	877
Change in proportion	750	(106)	644
Change in assumptions	556	(4,086)	(3,530)
	<u>\$ 2,436</u>	<u>\$ (5,264)</u>	<u>\$ (2,828)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of <u>Resources</u>
2024	\$ (1,770)
2025	(3,405)
2026	2,365
2027	(18)
	<u>\$ (2,828)</u>

Actuarial Assumptions. The total OPEB liability in the following actuarial valuations were determined using the following actuarial assumptions, applied to the applicable periods included in the measurement:

Inflation:	
CPI	2.75%
Medical CPI	3.25%
Salary increases, including wage inflation	3.75% - 8.75%, decreasing as years of service increase
Long-term investment rate of return	7.50%
Municipal bond index rate:	
Measurement date	3.65%
Prior measurement date	3.54%
Single equivalent interest rate, net of OPEB plan investment expense, including price inflation	
Measurement date	7.50%
Prior measurement date	7.50%
Health care cost trends:	

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Medicare supplement claims	
Pre-Medicare	7.75% for 2022, decreasing to an ultimate rate of 4.00% by 2036.
Post-Medicare	7.75% / 7.14% for Non-Model and Model Plans, respectively, for 2022, decreasing to an ultimate rate of 4.00% by 2036.

The demographic actuarial assumptions used in the December 31, 2022, valuation were based on the results of the most recent actuarial experience study, adopted by the Board on March 23, 2023.

Pre-retirement mortality rates were based on the PUB-2010 General Employees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021. Post-retirement mortality rates were based on the PUB-2010 General Retirees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021. For disabled lives, mortality rates were based on the PUB-2010 General Disabled Retirees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021.

Of the CSA employee members eligible for DROP benefits, 30% are assumed to decline participation and 70% are assumed to be elect participation. Those electing to participate are assumed to remain in DROP for 3 years.

Of the vested members who terminate, it is assumed that 60% will leave their contributions in the plan to be eligible for a benefit at their normal retirement date while remaining 40% elect to withdraw their contributions.

Long Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using expected return and volatility figures which were developed by Marquette Associates using their asset allocation software. The program simulates a variety of economic environments based on macroeconomic variables, and this simulation allows us to model the underlying probabilities of capital market returns. By running the monthly simulations over a 10-year basis and performing 1,000 trials, they develop results for expectations of capital market performance. Expected risk and return values for all asset classes are updated every six months, as the underlying data and assumptions reflect current market values and trends.

The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table (* geometric mean):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	9.0 %	4.8 %
Core Plus Bonds	11.5 %	5.7 %
High Yield	2.0 %	8.4 %
Private Debt	3.0 %	9.9 %
All Cap U.S. Equity	21.5 %	7.1 %
Large-Cap Value Equity	2.5 %	7.0 %

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Mid-Cap Value Equity	2.0 %		7.5 %
Small-Cap Value Equity	2.5 %		8.1 %
Non-U.S. All Cap	16.0 %		7.5 %
Emerging Markets-Small Cap	2.0 %		7.8 %
Real Estate Core Equity	7.5 %		6.5 %
Infrastructure	10.0 %		6.9 %
Volatility Risk Premium	2.5 %		6.3 %
Private Equity	8.0 %		11.1 %
Total	100.0 %		

Determination of Discount Rate (SEIR). The plan uses the Bond Buyer G.O. 20 Year Bond Municipal Bond Index to satisfy the requirements under paragraph 48 of GASB Statement No. 74. As this Index is issued weekly, the value closest to, but after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond index rate at June 29, 2023, was 3.65% and 3.54% at June 30, 2022.

The discount rate used to measure the total OPEB liability as of June 30, 2023, was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of December 31, 2022. In addition to the actuarial methods and assumptions of the December 31, 2022, actuarial valuation, the following actuarial methods, and assumptions were used in the projection of cash flows:

- No future employee contributions were assumed to be made.
- No future employer contributions were assumed to be made.

Based on these assumptions, CRS' fiduciary net position was projected to never be depleted, as a result, the long-term expected rate of return was used in the determination of the single equivalent interest rate (SEIR). Here, the long-term expected rate of return of 7.50% on plan investments was applied to all periods, resulting in a SEIR at the measurement date of 7.50%

Sensitivity of the net OPEB (asset) to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB (asset) of the District, as well as what the District's net OPEB (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate. Similarly, the following also presents what the District's net OPEB (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (amounts in thousands):

MSD' Net OPEB (Asset)	Healthcare Cost Trend Rates		
	1% Decrease	Current Rate	1% Increase
1% Increase (8.50%)		\$ (36,126)	
Current Discount Rate (7.50%)	\$ (36,863)	(30,250)	\$ (22,436)
1% Decrease (6.50%)		\$ (23,342)	

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

Change in Net OPEB Liability/(Asset). Changes in the District’s financial reporting entity’s net OPEB liability/(asset) for the measurement year ended June 30, 2023, were as follows (amounts in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balances at June 30, 2022	\$ 65,360	\$ 94,605	\$ (29,245)
Changes for the year:			
Service cost	502	-	502
Interest	4,758	-	4,758
Difference between expected and actual experience	(1,608)	-	(1,608)
Change in assumptions	836	-	836
Net investment income (loss)	-	6,939	(6,939)
Benefit payments, including refunds of employee contributions	(4,212)	(4,212)	-
Administrative expense	-	(103)	103
Other changes	-	(1,343)	1,343
Net changes	276	1,281	(1,005)
Balances at June 30, 2023	<u>\$ 65,636</u>	<u>\$ 95,886</u>	<u>\$ (30,250)</u>

The total OPEB liability as of June 30, 2023, is based on the actuarial valuation results as of December 31, 2022. The total OPEB liability as of June 30, 2023, was determined using standard projection (roll forward) techniques. The roll forward calculation adds the normal cost (also called the service cost) for the projection period—for experience and assumption changes, the first half of 2023, subtracts the expected net benefit payments for the period, and then applies the SEIR used to measure the total OPEB liability as of the valuation date. The roll forward calculation for the expected change is determined using a similar procedure, except that the total OPEB liability and service cost are based on GASB Statement No. 75 results as of the prior measurement date, one year projection period used, and actual net benefit payments are subtracted. The difference between this expected total OPEB liability and the projected total OPEB liability as of June 30, 2023, before reflecting any changes of assumptions or other inputs is the experience (gain) or loss for the period.

NOTE 11 - RELATED PARTY TRANSACTIONS

Cincinnati Water Works provides billing and collection services on customers’ accounts for the District. Fees for these services for 2023 and 2022 were \$6,780,707 and \$7,039,175, respectively. Fees are also paid to other municipalities and villages within Hamilton County for collection of sewerage bills.

The City of Cincinnati provides “overhead” services to the District, such as check disbursement, investment and legal services, etc. The fees for these services for 2023 and 2022 were \$3,371,700 and

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

\$1,254,813, respectively. In addition, the City's Municipal Garage provides gasoline and repairs vehicles for the District. Fees for these services were \$1,664,670 and \$1,579,818 for 2023 and 2022, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The City of Cincinnati and the Board of County Commissioners of Hamilton County, Ohio are parties to a Global Consent Decree, which was lodged in 2003 with the U.S. District Court for the Southern District of Ohio, Western Division. This decree focuses on combined sewer overflows, the implementation of the Sanitary Sewer Overflow Correction plan established in the Interim Partial Consent Decree, and other wet weather issues. The court approved the decrees on June 9, 2004. In August 2010, the District's Revised Wet Weather Improvement Plan was approved by the federal government. The commitment was for the District to complete a Phase 1 group of projects totaling \$1.145 billion (in 2006 dollars). Work on Phase 1 is now complete and consent decree documents are posted on the District web site, msdgc.org, under consent decree.

As part of District's capital improvement program, the District has entered into a number of contracts for construction, design, and other services. Commitments under these contracts aggregate approximately \$144.8 million as of December 31, 2023, and \$111.6 million as of December 31, 2022.

NOTE 13 - RISK MANAGEMENT

The District is part of the City of Cincinnati Risk Management Program. The City purchases commercial insurance to cover losses due to theft of, damage to, or destruction of assets and purchases general liability insurance for specific operations and professional liability insurance for certain operations. All other risks of loss are self-insured. Separately, the District carries property insurance pursuant to an all-risk policy on the District's buildings and equipment per the revenue bond trust agreement. There has been no reduction in insurance coverage from coverage in 2003. Insurance settlements for claims resulting from risks covered by commercial insurance have not exceeded the insurance coverage in any of the past four years.

NOTE 14 – PREPAID EXPENSES AND OTHER

Prepaid Insurance was \$264,690 and Accrued Interest Receivable was \$1,675,250 at December 31, 2023, for a total Prepaid Expenses and Other of \$1,939,940.

NOTE 15 - SUBSEQUENT EVENTS

There is a separate Consent Decree for the City Retirement System Plan court case, which may require additional employer share of pension contribution payments, however the exact dollar amount is unknown at this time.

The District experienced a catastrophic electrical failure of a high voltage substation transformer on March 5, 2023. The Ohio EPA and the U.S. EPA National Response Center were immediately notified. There were no impacts to local drinking water. The investigation into the root-cause of the substation transformer

**THE METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022**

failure has been determined the failure was caused by a manufacturing defect internal to the transformer. Other potential causes, including design, environmental, operational factors, were ruled out.

The Board of County Commissioners meeting on April 18, 2024, authorized Sewer Revenue Bonds for Capital Improvements and Refunding prior bonds for savings in an aggregate principal amount not to exceed \$230 million.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of the MSD's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Years (1)

Table 1
(Amounts in thousands)

	MSD's Proportion of the Net Pension Liability	MSD's Proportionate Share of the Net Pension Liability	MSD's Covered Payroll	MSD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.01499479%	\$ 1,766	\$ 2,443	72.29%	86.36%
2015	0.01517751%	1,825	2,479	73.62%	86.45%
2016	0.01475990%	2,541	2,336	108.78%	81.08%
2017	0.01727562%	3,923	2,200	178.32%	77.25%
2018	0.01708312%	2,680	2,377	112.75%	84.66%
2019	0.01599242%	4,380	2,257	194.06%	74.70%
2020	0.01564887%	3,093	2,136	144.80%	82.17%
2021	0.01439087%	2,131	2,136	99.77%	86.88%
2022	0.01349425%	1,174	1,950	60.21%	92.62%
2023	0.01185511%	3,502	1,829	191.47%	75.74%

(1) Amounts presented for each year were determined as of MSD's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions . In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9% , a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to to Pub-2010 mortality tables.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Calendar Years
Table 2
(Amounts in thousands)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	297	(297)	-	2,479	12.00%
2015	280	(280)	-	2,336	12.00%
2016	264	(264)	-	2,200	12.00%
2017	309	(309)	-	2,377	13.00%
2018	316	(316)	-	2,257	14.00%
2019	299	(299)	-	2,136	14.00%
2020	299	(299)	-	2,136	14.00%
2021	273	(273)	-	1,950	14.00%
2022	256	(256)	-	1,829	14.00%
2023	213	(213)	-	1,521	14.00%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of the MSD's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System
Last Seven Years (1) (2)
Table 3
(Amounts in thousands)

	MSD's Proportion of the Net OPEB Liability/(Asset)	MSD's Proportionate Share of the Net OPEB Liability/(Asset)	MSD's Covered Payroll	MSD's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.01786139%	\$ 1,804	\$ 2,200	82.00%	54.05%
2018	0.01664978%	1,808	2,377	76.06%	54.14%
2019	0.01550127%	2,021	2,257	89.54%	46.33%
2020	0.01497864%	2,069	2,136	96.86%	47.80%
2021	0.01403706%	(250)	2,136	(11.70%)	115.57%
2022	0.01318646%	(413)	1,950	(21.18%)	128.23%
2023	0.01156894%	73	1,829	3.99%	94.79%

- (1) Amounts presented for each year were determined as of MSD's measurement date, which is the prior year-end.
(2) Information prior to 2017 is not available.

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.50% initial to 10.00% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

In 2023, the single discount rate changed from 6.00% to 5.22% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2034 to 5.5% initial, 3.50% ultimate in 2036.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's OPEB Contributions
Ohio Public Employees Retirement System

Table 4
(Amounts in thousands)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	50	(50)	-	2,479	2.00%
2015	47	(47)	-	2,336	2.00%
2016	44	(44)	-	2,200	2.00%
2017	24	(24)	-	2,377	1.00%
2018	3	(3)	-	2,257	0.13%
2019	2	(2)	-	2,136	0.09%
2020	2	(2)	-	2,136	0.09%
2021	3	(3)	-	1,950	0.15%
2022	5	(5)	-	1,829	0.27%
2023	3	(3)	-	1,521	0.20%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Ten Years (1)
Table 5
(Amounts in thousands)

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 6,993	\$ 4,055	\$ 11,344	\$ 7,108	\$ 4,489
Interest	29,950	34,899	24,870	30,825	32,602
Benefit changes	-	-	4,537	-	-
Difference between expected and actual experience	578	1,931	15,853	5,073	8,698
Changes of assumptions	10,320	125,010	(259,433)	151,500	101,687
Benefit payments and refunds	(35,045)	(36,245)	(34,438)	(33,311)	(32,110)
Other	-	-	-	-	-
Net change in total pension liability	<u>12,796</u>	<u>129,650</u>	<u>(237,267)</u>	<u>161,195</u>	<u>115,366</u>
Total pension liability - beginning	588,981	459,331	696,598	535,403	420,037
Total pension liability - ending (a)	601,777	588,981	459,331	696,598	535,403
Plan net position					
Contributions - employer	7,722	7,304	6,400	6,531	6,381
Contributions - member	3,947	3,864	3,723	3,775	3,677
Contributions - ERIP payoff	-	-	-	-	-
Net investment income (loss)	22,411	(15,379)	88,994	(3,973)	14,394
Benefit payments and refunds	(35,045)	(36,245)	(34,438)	(33,311)	(32,110)
Administrative expense	(333)	(333)	(334)	(355)	(278)
Other	13,187	(1,533)	8,730	(1,005)	(1,439)
Net change in plan net position	<u>11,889</u>	<u>(42,322)</u>	<u>73,075</u>	<u>(28,338)</u>	<u>(9,375)</u>
Plan net position - beginning	301,594	343,916	270,841	299,179	308,554
Plan net position - ending (b)	313,483	301,594	343,916	270,841	299,179
Net pension liability - ending (a) - (b)	<u>\$ 288,294</u>	<u>\$ 287,387</u>	<u>\$ 115,415</u>	<u>\$ 425,757</u>	<u>\$ 236,224</u>
Ratio of plan net position to total pension liability	52.09%	51.21%	74.87%	38.88%	55.88%
Covered payroll	\$ 43,662	\$ 42,611	\$ 40,549	\$ 41,462	\$ 40,764
Net pension liability as a percentage of covered payroll	660.29%	674.44%	284.63%	1026.86%	579.49%

(continued)

(1) The measurement year is from July 1 through June 30.

See Notes to the Required Supplementary Pension Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Ten Years (1)
Table 5 (continued)
(Amounts in thousands)

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 4,260	\$ 3,764	\$ 5,639	\$ 5,346	\$ 4,919
Interest	30,470	29,256	25,454	28,680	28,146
Benefit changes	-	5,344	(13,545)	-	-
Difference between expected and actual experience	5,577	649	734	(2,698)	-
Changes of assumptions	9,403	-	(111,431)	30,007	(3,381)
Benefit payments and refunds	(31,436)	(30,612)	(29,102)	(31,057)	(29,953)
Other	-	-	(35,654)	-	-
Net change in total pension liability	<u>18,274</u>	<u>8,401</u>	<u>(157,905)</u>	<u>30,278</u>	<u>(269)</u>
Total pension liability - beginning	401,763	393,362	551,267	520,989	521,258
Total pension liability - ending (a)	420,037	401,763	393,362	551,267	520,989
Plan net position					
Contributions - employer	6,080	5,647	4,639	5,596	7,252
Contributions - member	3,521	3,246	1,599	3,115	2,761
Contributions - ERIP payoff	-	-	8,723	-	-
Net investment income	26,180	38,292	(2,065)	9,455	49,002
Benefit payments and refunds	(31,436)	(30,612)	(29,102)	(31,057)	(29,953)
Administrative expense	(277)	(288)	(962)	(302)	(261)
Other	(1,893)	(3,065)	24,110	-	-
Net change in plan net position	<u>2,175</u>	<u>13,220</u>	<u>6,942</u>	<u>(13,193)</u>	<u>28,801</u>
Plan net position - beginning	306,379	293,159	286,217	299,410	270,609
Plan net position - ending (b)	308,554	306,379	293,159	286,217	299,410
Net pension liability - ending (a) - (b)	<u>\$ 111,483</u>	<u>\$ 95,384</u>	<u>\$ 100,203</u>	<u>\$ 265,050</u>	<u>\$ 221,579</u>
Ratio of plan net position to total pension liability	73.46%	76.26%	74.53%	51.92%	57.47%
Covered payroll	\$ 37,809	\$ 34,942	\$ 31,809	\$ 31,232	\$ 30,550
Net pension liability as a percentage of covered payroll	294.86%	272.98%	315.01%	848.65%	725.30%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Pension Contributions
Cincinnati Retirement System
Last Ten Calendar Years
Table 6
(Amounts in thousands)

	Actuarially Determined Employer Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	16,087	(5,303)	10,784	30,550	17.36%
2015	13,756	(4,328)	9,428	31,232	13.86%
2016	12,356	(5,169)	7,187	31,809	16.25%
2017	8,541	(5,941)	2,600	34,942	17.00%
2018	10,879	(6,226)	4,653	38,536	16.16%
2019	11,541	(6,455)	5,086	40,053	16.12%
2020	12,226	(6,521)	5,705	40,289	16.19%
2021	12,927	(6,498)	6,429	40,339	16.11%
2022	13,805	(6,940)	6,865	42,946	16.16%
2023	14,665	(7,386)	7,279	44,734	16.51%

See Notes to the Required Supplementary Pension Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required Pension Information
Cincinnati Retirement System
Table 7

Actuarial Assumptions:

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	Open 30 year period
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increases, including wage inflation	3.75% to 7.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Municipal bond index rate	3.65%
Single equivalent discount rate	5.23%

Changes of Benefit Terms:

In 2017, there were several changes in benefit provisions as a result of Ordinance 336-2016 adopted by the City Council on October 26, 2016. In addition to incorporating many of the changes mandated by the Collaborative Settlement Agreement (CSA), the Ordinance also:

- Established benefit and eligibility provisions for Group E and F members not covered under the CSA similar to employees who are covered under the CSA.
- Established a universal cost-of-living adjustment (COLA) suspension period for all members.
- Established a universal 3% simple COLA rate for all members

In 2016, there were several changes in benefit provisions as a result of the Collaborative Settlement Agreement (CSA) between the City and various plaintiff groups representing certain active and retired members of CRS as approved by the Court on October 5, 2015 and generally effective January 1, 2016.

Changes in Actuarial Assumptions and Methods:

In 2018, actuarial assumptions and methods were changed based on the results of the actuarial experience study dated February 28, 2018. These changes include reducing the price inflation assumption from 3.00% to 2.75%; updating the retirement, withdrawal and disability rates, updating the mortality rates for all members to a generational approach using the RP-2014 mortality tables, updating the merit salary scale; increasing the assumed administrative expense as a percentage of payroll added to the normal cost from 0.75% to 0.80%; updating the assumed proportion of deferred vested members who elect to receive a deferred benefit and who will elect to withdraw their contributions; and updating the assumed percentage of members who are married for the purposes of valuing pre-retirement survivor benefits.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required Pension Information
Cincinnati Retirement System
Table 7 (continued)

Changes in Actuarial Assumptions and Methods (continued):

In 2019, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2046. Projected benefit payments beyond 2046 were discounted at the municipal bond rate of 3.50%, resulting in a single equivalent discount rate of 5.56%.

In 2020, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2041. Projected benefit payments beyond 2041 were discounted at the municipal bond rate of 2.21%, resulting in a single equivalent discount rate of 3.56%.

In 2021, the expected long-term rate of return of 7.50% was used for the discount rate with the projected future fiduciary net position not being depleted.

In 2022, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2047. Projected benefit payments beyond 2047 were discounted at the municipal bond rate of 3.54%, resulting in a single equivalent discount rate of 5.25%.

In 2023, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2047. Projected benefit payments beyond 2047 were discounted at the municipal bond rate of 3.65%, resulting in a single equivalent discount rate of 5.23%.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net OPEB Liability/(Asset) and Related Ratios
Cincinnati Retirement System
Last Six Years (1) (2)
Table 8
(Amounts in thousands)

	2023	2022	2021	2020	2019
Total OPEB liability					
Service cost	\$ 502	\$ 538	\$ 584	\$ 1,381	\$ 1,155
Interest	4,758	5,488	5,096	6,168	6,480
Benefit changes	-	-	3,035	(32,814)	-
Difference between expected and actual experience	(1,608)	401	255	(10,869)	475
Changes of assumptions	836	(8,566)	-	(11,168)	12,822
Benefit payments	(4,212)	(4,654)	(4,814)	(5,104)	(5,881)
Net change in total OPEB liability	<u>276</u>	<u>(6,793)</u>	<u>4,156</u>	<u>(52,406)</u>	<u>15,051</u>
Total OPEB liability - beginning	65,360	72,153	67,997	120,403	105,352
Total OPEB liability - ending (a)	65,636	65,360	72,153	67,997	120,403
Plan net position					
Net investment income (loss)	6,939	(4,618)	26,077	(1,139)	4,080
Benefit payments	(4,212)	(4,654)	(4,814)	(5,104)	(5,881)
Administrative expense	(103)	(100)	(98)	(102)	(79)
Other	(1,343)	417	(302)	(132)	(206)
Net change in plan net position	<u>1,281</u>	<u>(8,955)</u>	<u>20,863</u>	<u>(6,477)</u>	<u>(2,086)</u>
Plan net position - beginning	94,605	103,560	82,697	89,174	91,260
Plan net position - ending (b)	95,886	94,605	103,560	82,697	89,174
Net OPEB liability/(asset) - ending (a) - (b)	<u>\$ (30,250)</u>	<u>\$ (29,245)</u>	<u>\$ (31,407)</u>	<u>\$ (14,700)</u>	<u>\$ 31,229</u>
Ratio of plan net position to total OPEB liability/(asset)	146.09%	144.74%	143.53%	121.62%	74.06%
Covered employee payroll	\$ 26,278	\$ 26,992	\$ 28,755	\$ 31,926	\$ 33,066
Net OPEB liability/(asset) as a percentage of covered employee payroll	(115.12%)	(108.35%)	(109.22%)	(46.04%)	94.44%

(1) Information prior to 2018 was not available. MSD will continue to present information for years available until a full ten-year trend is available.

(2) The measurement year is from July 1 through June 30.

See Notes to the Required Supplementary OPEB Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net OPEB Liability/(Asset) and Related Ratios
Cincinnati Retirement System
Last Six Years (1) (2)
Table 8 (continued)
(Amounts in thousands)

	2018
Total OPEB liability	
Service cost	\$ 945
Interest	5,841
Benefit changes	-
Difference between expected and actual experience	3,030
Changes of assumptions	7,173
Benefit payments	(4,962)
Net change in total OPEB liability	12,027
Total OPEB liability - beginning	93,325
Total OPEB liability - ending (a)	105,352
Plan net position	
Net investment income (loss)	7,354
Benefit payments	(4,962)
Administrative expense	(78)
Other	(78)
Net change in plan net position	2,236
Plan net position - beginning	89,024
Plan net position - ending (b)	91,260
Net OPEB liability/(asset) - ending (a) - (b)	\$ 14,092
Ratio of plan net position to total OPEB liability/(asset)	86.62%
Covered employee payroll	\$ 33,158
Net OPEB liability/(asset) as a percentage of covered employee payroll	42.50%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's OPEB Contributions
Cincinnati Retirement System
Last Eight Calendar Years (1)
Table 9
(Amounts in thousands)

	Actuarially Determined Employer Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	MSD's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 248	\$ -	\$ 248	\$ 31,384	0.00%
2017	714	-	714	32,369	0.00%
2018	534	-	534	32,440	0.00%
2019	974	-	974	32,794	0.00%
2020	537	-	537	31,951	0.00%
2021	-	-	-	29,652	0.00%
2022	-	-	-	29,962	0.00%
2023	-	-	-	29,942	0.00%

(1) Information prior to 2016 is not available.

See Notes to the Required Supplementary OPEB Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required OPEB Information
Cincinnati Retirement System
Table 10

Actuarial Assumptions:

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	Open 30 year period
Asset valuation method	Five-year smoothed market value
Inflation	CPI: 2.75%; Medical CPI: 3.25%
Salary increases, including wage inflation	3.75% to 7.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Initial health care cost trend rates	
Pre Medicare	8.00%
Medicare	4.97% (Non-Model Plan) / 4.84% (Model Plan)
Ultimate health care cost trend rates	
Pre Medicare	4.00%
Medicare	4.00%
Year ultimate health care cost trend rates reached	
Pre Medicare	2036
Medicare	2036

Change of Benefit Terms:

In 2021, the Plan offered an early retirement incentive program which provided two additional years of service that would count towards benefits and eligibility. Eligible members were those projected to be eligible for normal retirement as of July 1, 2020 or have earned at least 28 years of service as of July 1, 2020.

In 2020, the Plan moved all Medicare Part A and Part B eligible, and Medicare Part B only eligible Plan participants to the new fully insured Medicare Advantage plan offered by Anthem, effective January 1, 2020.

In 2017, the Plan changes included in Ordinance 336-2016 were adopted by the City Council on October 26, 2016. In addition to incorporating many of the changes mandated by the CSA, the Ordinance also:

- Excluded members hired after December 31, 2015 from eligibility to receive retiree health benefits;
- Established benefit and eligibility provisions for Group E and F members, not covered under the CSA, similar to employees who are covered under the CSA.
- Specified eligibility and postemployment contribution requirements for the retiree health benefits payable to members and beneficiaries entitled to deferred benefits.
- Modified eligibility and postemployment contribution requirements to retiree health benefits paid as the result of an in-service death.

In 2016, there were several changes in benefit provisions as a result of the Collaborative Settlement Agreement (CSA) between the City and various plaintiff groups representing certain active and retired members of CRS as approved by the Court on October 5, 2015 and generally effective January 1, 2016.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required OPEB Information
Cincinnati Retirement System
Table 10 (continued)

Changes in Actuarial Assumptions and Methods:

In 2020, the expected long-term rate of return of 7.50% was used for the discount rate with the projected future net position not being depleted. The claims assumptions and retiree contributions were updated to reflect actual 2020 premiums.

The medical trend assumptions were updated to include several factors. First, the initial trends for the Medicare Advantage plans were set at 0% for medical and 7% for drug, while the trends for the contribution rates for the plans were set at a -5.7% to account for the health insurance tax reduction. The ultimate health care trend was set at 4%, with each trend period set at 15 years.

The claim cost curves were updated based on the experience of the retirees in the Secure, Select and Model plans. The data provided claim experience for all covered members (retirees, covered spouses, and covered children) by age. Additional information was provided for the new Medicare Advantage Plans, which were applied to the 2020 claim curves above.

The percentage of members to not qualify for premium-free Medicare Part A coverage was lowered from 15% to 10%.

In 2019, the December 31, 2018 valuation included a change in the Municipal Bond Index Rate from 3.89% to 3.50%; a decrease in the discount rate (SEIR) from 6.13% to 5.07%, part-time employees were included in the Plan's population, and the health care cost trend rates were updated to reflect the current market place.

In 2018, actuarial assumptions and methods were changed based on recent plan experience done concurrently with the December 31, 2017 valuation, including a change in the Municipal Bond Index Rate from 3.65% to 3.89%; a decrease in the discount rate (SEIR) from 6.31% to 6.13%, a decrease in the price inflation assumption from 3.00% to 2.75%, an update of the retirement, withdrawal, and disability rates; an update of the mortality rates for all members to a generational approach using the RP-2014 mortality tables; an update of the merit salary scales; and updates to the following to better reflect the anticipated experience of the plan: assumed rates of health care inflation, assumed rates of health benefit plan participation, contribution rates for the Select Plan and the Model Plan, and DROP participation rates.

In 2017, future contribution rates for retiree health benefit recipients are now based upon the projected retiree health care costs associated with each projection year's closed group of participants.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Identifying Number	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through Ohio Emergency Management Agency Hazard Mitigation Grant Program	OEMA-FEMA-DR- 4424-OH	97.039	\$1,010,570
Total Expenditures of Federal Awards			<u>\$1,010,570</u>

The accompanying notes are an integral part of this schedule.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Metropolitan Sewer District of Greater Cincinnati (the District) under programs of the federal government for the year ended December 31, 2023. The information on this Schedule is prepared 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OHIO AUDITOR OF STATE KEITH FABER



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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

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1605 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio (the District), as of and for the years ending December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
May 16, 2024

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1605 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Metropolitan Sewer District of Greater Cincinnati's, Hamilton County, Ohio (the District), compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Metropolitan Sewer District of Greater Cincinnati's major federal program for the year ended December 31, 2023. Metropolitan Sewer District of Greater Cincinnati's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Metropolitan Sewer District of Greater Cincinnati complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance
Page 3

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
May 16, 2024

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**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL #97.039 - FEMA Hazard Mitigation Grant Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/4/2024

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

This report is a matter of public record and is available online at
www.ohioauditor.gov