



2023 Annual Comprehensive Financial Report

 **Northeast Ohio
Regional Sewer District**

For the years ended December 2023 and December 2022
A political subdivision of the State of Ohio



**Northeast Ohio
Regional Sewer District**

3900 Euclid Avenue
Cleveland, Ohio 44115
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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Northeast Ohio Regional Sewer District
3900 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Regional Sewer District, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northeast Ohio Regional Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 05, 2024

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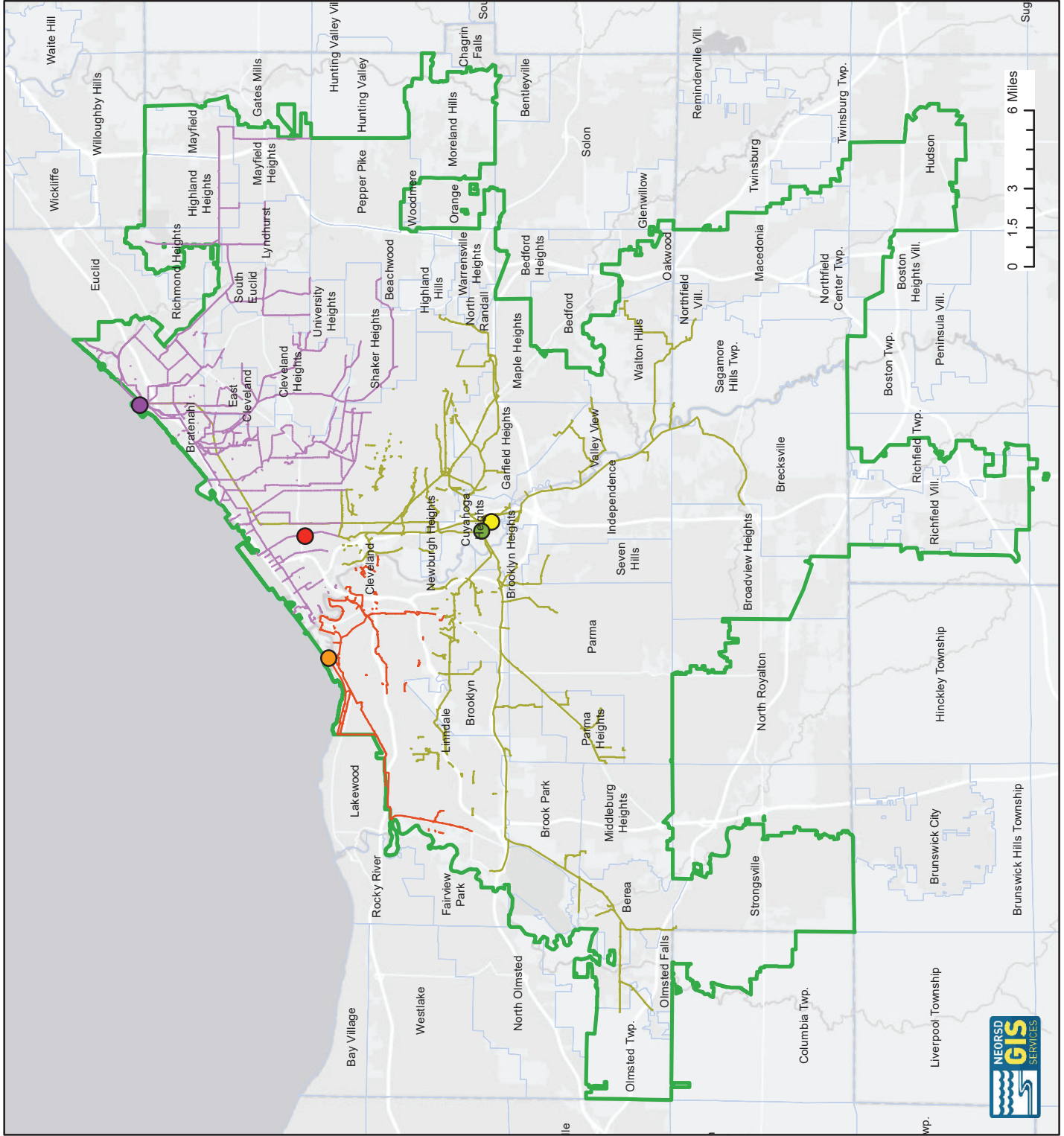


NEORSD Wastewater Service Area Map

Northwest Ohio Regional Sewer District



- EASTERLY WWTP
- EMSC
- GJM ADMINISTRATION
- SOUTHERLY WWTC
- WESTERLY WPCC
- Easterly Interceptors
- Southerly Interceptors
- Westerly Interceptors
- District Wastewater Service Area









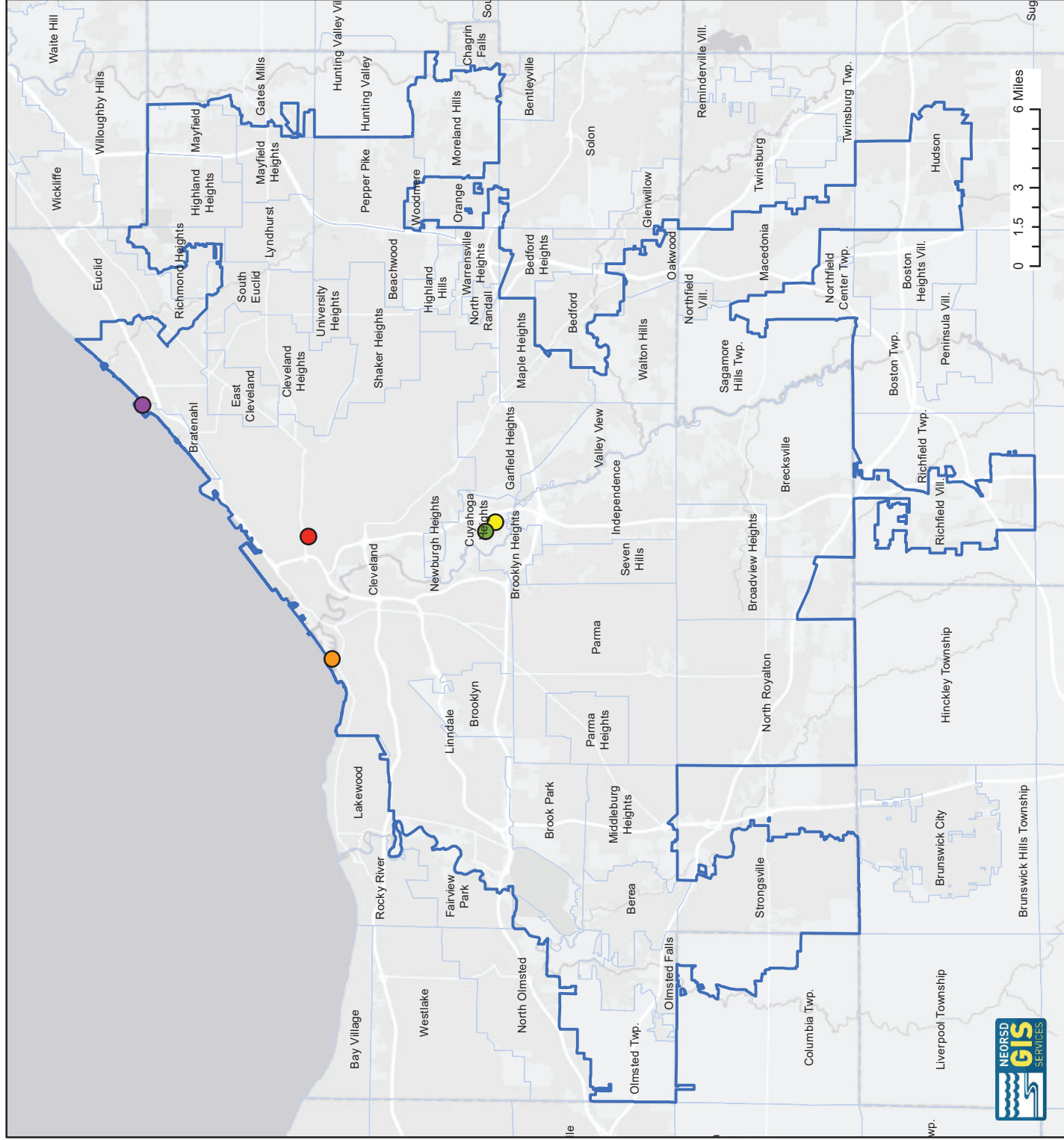


NEORS D Stormwater Service Area Map

Northwest Ohio Regional Sewer District



-  EASTERLY WWTP
-  EMSC
-  GJM ADMINISTRATION
-  SOUTHERLY WWTC
-  WESTERLY WPCC
-  District Stormwater Service Area



Northeast Ohio Regional Sewer District

A Political Subdivision of the State of Ohio

2023 Annual Comprehensive Financial Report
For the Years Ended December 31, 2023 and 2022

Prepared by the Department of Finance

Kenneth J. Duplay, CPA, CMA
Chief Financial Officer

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NORTHEAST OHIO REGIONAL SEWER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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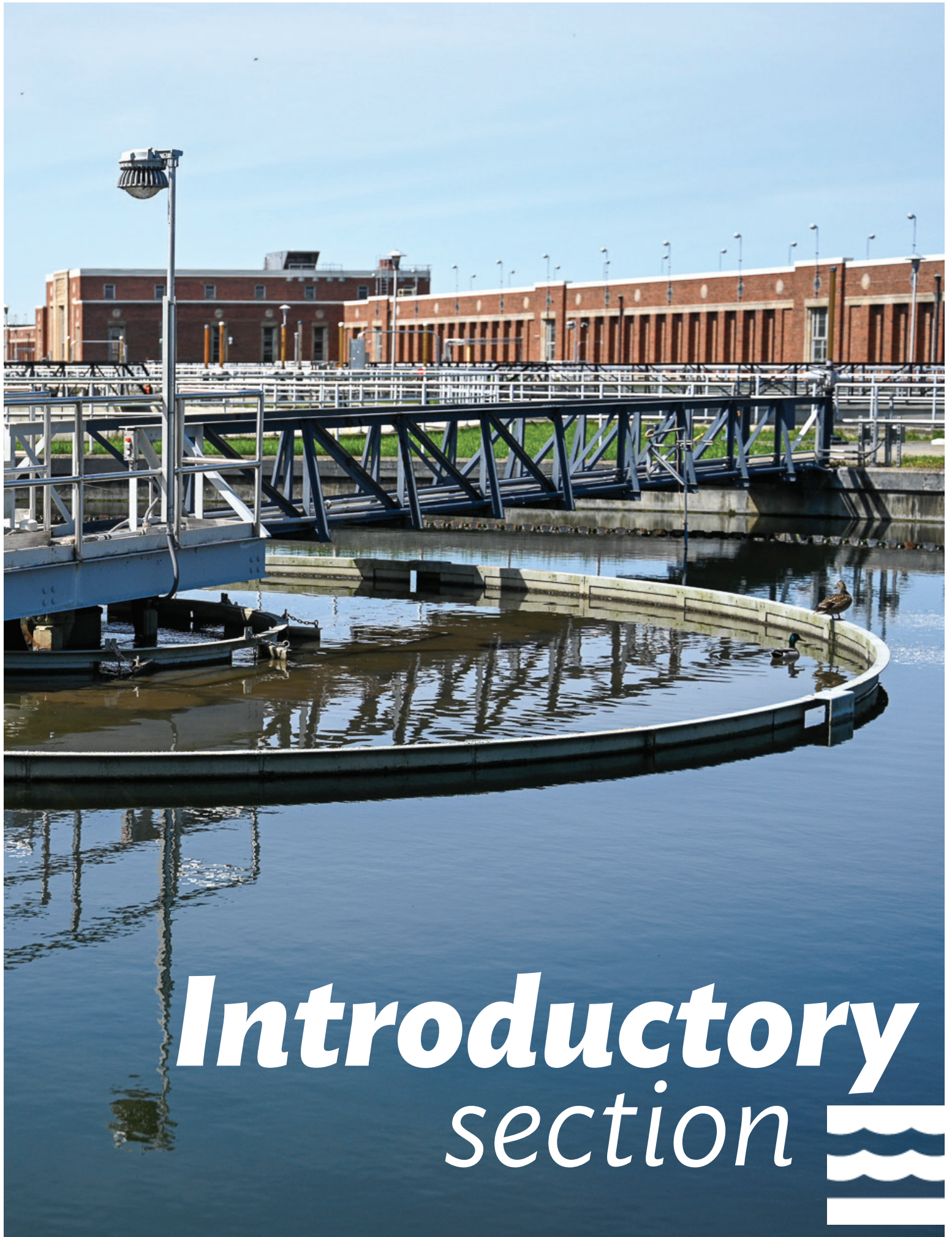
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Northeast Ohio

Regional Sewer District

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Introductory section





Northeast Ohio Regional Sewer District

June 28, 2024

To the Board of Trustees and Citizens Served by
the Northeast Ohio Regional Sewer District:

State law requires that local governments reporting on a Generally Accepted Accounting Principles (GAAP) basis file a complete set of financial statements within 150 days of the close of each fiscal year. These financial statements are required to be presented in conformity with GAAP and audited in accordance with standards generally accepted in the United States of America (USA) by the Auditor of State or licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the Northeast Ohio Regional Sewer District (Sewer District) for the fiscal years ended December 31, 2023 and 2022.

This report consists of management's representations concerning the finances of the Sewer District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Sewer District management has established a comprehensive internal control framework that is designed to protect the Sewer District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Sewer District's financial statements in conformity with GAAP in the USA. Because the cost of internal controls should not outweigh their benefits, the Sewer District's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Sewer District's financial statements for the year ended December 31, 2023 and 2022 have been audited by Ciuni & Panichi, Inc. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Sewer District for the fiscal years ended December 31, 2023 and 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there is a reasonable basis for rendering an unmodified opinion that the Sewer District's financial statements for the fiscal years ended December 31, 2023 and 2022 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Sewer District's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE SEWER DISTRICT

General

The Sewer District is an independent political subdivision of and organized under the laws of the State of Ohio, specifically Chapter 6119 of the Ohio Revised Code. Originally named the Cleveland Regional Sewer District, it was created in 1972 for the purpose of assuming the operation and management of certain wastewater collection, treatment and disposal facilities serving the Cleveland metropolitan area and previously owned and operated by the City of Cleveland, as well as addressing intercommunity drainage problems, both storm and sanitary.

Service Area

The Sewer District's service area includes more than 363 square miles, 341 miles of sewers, and a 489-mile regional stormwater system. The Sewer District encompasses the City of Cleveland and all or portions of 62 suburban communities in Cuyahoga, Lake, Lorain, and Summit Counties. The stormwater service area includes 56 communities. The area contains a residential service population of near one million persons and includes a diverse group of service, information, biotechnology, manufacturing, and processing industries. The Sewer District manages stormwater and treats more wastewater than any other wastewater treatment system in the State of Ohio.

Governance

The Sewer District is governed by its Board of Trustees (Board). The Board consists of seven members, each of whom serves a five-year term, and, are appointed as follows: (i) two by the Mayor of the City of Cleveland; (ii) two by a council of governments (Suburban Council) comprised of representatives of all suburban communities served by the system; (iii) one by the Cuyahoga County Executive, confirmed by the Cuyahoga County Council; (iv) one by the appointing authority of the sub District with the greatest flow; (v) and one by the appointing authority of the sub District with the greatest population.

Budgets and Funding

General provisions regulating the Sewer District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the Sewer District's operating and capital budgets to the Board, and they are required to adopt such budgets by March 31 of the year to which they apply. Readers should refer to the Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual on page 94 of this report, along with the accompanying Notes to Supplementary Information for additional budgetary information.

Funding sources used traditionally by the Sewer District to fund the Sewer Capital Improvement Plan include cash reserves, internally generated capital, the Ohio Water Pollution Control Loan Fund ("WPCLF"), and revenue bonds. The Sewer District has also received \$3.7 million of grant funding for the year ended December 31, 2023. Furthermore, the Sewer District's Regional Stormwater Management Program, which is cash funded, received \$2.9 million in grant funding for use on Stormwater Projects for the year ended December 31, 2023. The Sewer District will continue to explore options to gain access to grant funding for our capital program and our member communities. This information should be read in conjunction with the financial statements.

The section of the Ohio Revised Code under which the Sewer District is organized grants the Sewer District the power to raise revenues through taxes on property within its service area. In accordance with Chapter 5705 of the Code, the Sewer District does not file an Annual Tax Budget because it does not levy any taxes.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the environment within which the Sewer District operates.

Local Economy

The economic environment in which the Sewer District operates is affected by the same events and conditions as the rest of the State of Ohio and the nation. The Sewer District's revenue is expected to remain relatively stable due to the approval of a rate increase by the Board. The region is not dominated by any single industry. Major industries with headquarters or divisions located in the Sewer District's service area or in proximity include automotive manufacturers, industrial equipment, metals, paints and coatings producers, insurance, and banking services. Major employers in the area include federal, state, county and municipal government agencies, health care providers, public schools, financial service providers, manufacturers, and retail establishments. In recent years there has been a significant shift from manufacturing to a service and information-based economy.

The annual unemployment rate in 2023 (per the Bureau of Labor Statistics, not seasonally adjusted) for Cuyahoga County, which is significantly the same as the Sewer District's service area, was 3.2%. Cuyahoga County's unemployment rate was 0.1% higher than the unemployment rate for the State of Ohio (3.1%) and 0.5% lower than the national rate of 3.7%. Although the City of Cleveland and Cuyahoga County have experienced a migration of residents to neighboring suburbs and counties, the presence of corporate, cultural and entertainment facilities continue to attract visitors and commuters to the area.

Long-Term Financial Planning

The Sewer District has had a strong financial history since its inception in 1972. Moving forward, the Sewer District is positioned to continue to meet the level of service and regulatory requirements demanded by its customers, its Board, and regulatory agencies. Part of that responsibility will entail investment over the next 10 years of approximately \$2.0 billion in new Combined Sewer Overflow (CSO) controls and wastewater facility improvements.

The Sewer District maintains a long-range financing plan for its operating and capital budgets. The Sewer District's five-year financing plan for the capital budget provides for nearly \$1.3 billion in capital project expenditures from 2024 to 2028, primarily for improvements to our Southerly Wastewater Treatment Plant and our CSO long-term control plan. This includes approximately \$105.9 million for the plants, \$855.2 million for the CSO projects, \$88.6 million for the collection system and building improvements and \$259.2 million of miscellaneous Sewer District-wide improvements and minor capital purchases. Over this five-year period, the Sewer District will need to address both regulatory driven capital improvements and rehabilitation driven capital improvements at its three (3) wastewater treatment plants and within its collection system.

In 2021, the Sewer District completed a five-year, long-term financial and rate impact model for rates in effect from 2022-2026. The proposed rates were approved and adopted by the Board in 2021. The model incorporates specific year by year details to determine the sewer rates and stormwater fees over the five-year rate period.

Debt Administration

At year-end, the Sewer District had bonded debt outstanding of \$906,930,000. The debt, including applicable bond premium costs and discounts, is \$930,746,034. The Sewer District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2023, the outstanding loan balance was \$994,522,888 for the WPCLF. Outstanding revenue bonds of the Sewer District are rated AA+ by Standard & Poor's and Aa1 by Moody's rating agencies. Note 7 to the financial statements includes schedules of debt outstanding and future debt service requirements.

In 2010, the Sewer District issued \$336,930,000 Wastewater Improvement Revenue Bonds, Series 2010, as Federally Taxable Build America Bonds for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 7 of the financial statements.

In 2014, the Sewer District issued \$419,030,000 of Wastewater Improvement Revenue and Refunding Bonds, Series 2014. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds were comprised of \$350,570,000 (2014A) for new bonds and \$68,460,000 (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 were issued for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 7 of the financial statements.

In 2016, the Sewer District issued \$25,015,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2016. The Series 2016 Bonds were comprised of \$25,015,000 to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2016 were issued to advance refund the outstanding Series 2007 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2017, the Sewer District issued \$241,595,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2017. The Series 2017 Bonds were comprised of \$241,595,000 to refund a portion of the 2013 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2017 were issued to advance refund the outstanding Series 2013 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2019, the Sewer District issued \$245,005,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2019. The Series 2019 Bonds were comprised of \$245,005,000 to refund a portion of the 2010 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2019 were issued to advance refund the outstanding Series 2010 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2020, the Sewer District issued \$244,895,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2020. The Series 2020 Bonds were comprised of \$244,895,000 to refund a portion of the 2014 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2020 were issued to advance refund the outstanding Series 2014 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2021, the Sewer District issued \$114,295,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2021. The Series 2021 Bonds were comprised of \$114,295,000 to refund a portion of the 2013 and 2014 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2021 were issued to advance refund the outstanding Series 2013 and 2014 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2021, the Sewer District executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2049 maturity of the Series 2014 Wastewater Improvement Revenue and Refunding Bonds in the amount of \$27,420,000. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, that portion of the series 2014 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This information should be read in conjunction with Note 7 of the financial statements.

In 2022, the Sewer District executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2047 and 2048 maturities of the Series 2014 Wastewater Improvement Revenue and Refunding Bonds in the amount of \$51,725,000 and to pay 2048 and 2049 maturities of the Series 2020 Wastewater Improvement Refunding Bonds in the amount of \$32,440,000 for a total defeased amount of \$84,165,000. Those securities were deposited in an irrevocable trust with an escrow agent. This information should be read in conjunction with Note 7 of the financial statements.

MAJOR INITIATIVES

2023 and 2022 Awards

During 2023, the Sewer District received awards for 2022 plant performance from the National Association of Clean Water Agencies (NACWA). NACWA honored all three of our Wastewater Treatment Plants (WWTPs) for excellent performance in 2022.

The Easterly and Westerly Wastewater Treatment Plants earned Gold Peak Performance awards that recognize facilities with no permit violations for the entire calendar year. Awards for 2023 performance have not been announced as of the date of this report. The Southerly Wastewater Treatment Plant earned a Silver Award. Silver Awards are presented to facilities with no more than five violations per calendar year.

During 2023, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the Sewer District for the sixteenth time for its 2023 Budget.

In 2023, our Analytical Services department achieved a Silver-level My Green Labs certification, acknowledging our ongoing sustainability work focused on cost-saving and environmental impact. My Green Lab is an international non-profit focused on creating ways for laboratories to better their resource use and environmental impact. We are one of four water/wastewater utility labs in the U.S. to achieve this level of certification and join over 2,000 certified laboratories across the world.

In 2023, we also developed sustainable purchasing policy/guidelines to infuse sustainability into purchasing decisions, and developed a sustainability report, to highlight our progress Sustainability Report (arcgis.com). It showcases our new greenhouse gas emissions dashboard, waste reductions at Clean Water Fest, employee engagement, and many other initiatives.

Business Opportunity Program

The Office of Contract Compliance was formed in 2008. After receiving the recommendations from the Disparity Study in 2010, the Business Opportunity Program (BOP) was created which allows Minority Business Enterprise (MBE), Women Business Enterprise (WBE) and Small Business Enterprise (SBE) goals to be placed on projects. The Office of Contract Compliance monitors payments, prevailing wages and provides outreach services for certified firms. The BOP is designed to contribute to the economic health and vitality of the region by providing a greater opportunity to conduct business with the Sewer District, resulting in job and business growth for the local business community. Bringing new companies into the Sewer District's procurement process enhances the competitive bidding process which helps deliver the greatest value. The total number of certified firms in the program in 2023 was 326. The BOP spending for 2023 in construction and stormwater for 2023 was \$40.9 million (MBE \$17.0 million, SBE \$7.9 million and WBE \$16.0 million). Also, payments were made to certified firms directly in the areas of goods, professional services, construction, and engineering.

Supplier Registration

In November 2013, the Purchasing Department implemented the new Oracle eBusiness Suite which included Purchasing, Sourcing and the iSupplier online registration system. Suppliers benefit from a more streamlined purchasing process that involves electronic communication. They can view all purchase order activity for their company, provide quotes and see awarded quotes, create invoices and track payment status using iSupplier. The system tracks products and services provided by the registered supplier for future quoting opportunities and suppliers interested in participating in the Business Opportunity Program. The Sewer District currently has 3,152 registered suppliers with 204 new vendors that registered in 2023.

Human Resources Programs

The mission of the Human Resources (HR) Department is to contribute to the success of the Sewer District by creating an engaging environment where our workforce can thrive. We strive to provide fair, reliable, and efficient programs that:

- Enhance workforce effectiveness through training and development.
- Provide friendly and efficient customer service to our employees.
- Maintain legal and organizational compliance.
- Attract top talent through innovative recruitment strategies.
- Embrace diversity and encourage inclusion.
- Engage employees through awards and recognition programs.

The following are 2023 highlights and corresponding successes.

- Provided training and support for nine apprentices and employees working toward their Ohio State Apprenticeship through the Ohio State Apprenticeship Council (OSAC).
- Provided training and support for five apprentices and employees who completed their apprenticeship in 2023 and received their national skilled tradesperson certification through the OSAC.
- Enrolled seventeen Cycle 3 and Cycle 4 apprentices into college courses for the Maintenance Training Program to learn their skilled trade position.
- Began training twelve Wastewater Plant Operators in Training (WPO-IT) under the new Operator Training Program (OTP).
- Thirty-two Sewer District employees participated in the Tuition Assistance Program (TAP) totaling \$149,763.
- Completed Frontline Leadership Development Program pilot. Participants in the cohort completed seven in-person workshops and a three-month mentorship component in 2023.
- Utilized a suite of coaches for customized leadership development support for six high potential leaders.
- A total of 303 courses/workshops were attended by employees.

Provide Friendly and Efficient Customer Service to Employees

- Implemented Manager Self-Service functionality in the UKG human resources information system.
- Expanded upon the UKG Resource site, adding new job aids and instructional videos.
- Executed an Active Open Enrollment period and provided personalized, one-on-one service to employees by hosting onsite workshops to complete benefit elections and answer questions directly.
- 370 inquiries received and responded to by the HRDirect team.

Maintain Legal and Organizational Compliance

- Completed action items from the 2023 Payroll Audit (internal).
- Implemented new electronic document storage in UKG for employee documents.
- Implemented Discipline Tracking in UKG.
- Required all HR staff to complete HIPAA Policy Training in Q1.

Maintain Legal and Organizational Compliance (continued)

- Required all Sewer District staff to complete Substance-Free Workplace Training (Manager and Employee facing) in Q4.
- Required all Sewer District staff to complete 2023 Ethics Training in Q4.
- Provided Sewer District Managers and Supervisors in-person *Legal Side of Leadership Training*.
- Completed negotiations with AFSCME Local 2798 and 18-S bargaining units.
- Talent Acquisition has continued to utilize third party occupational health company and database for pre-employment screenings and criminal background checks to ensure compliance with hiring practices.

Attract Top Talent Through Innovative Recruitment Strategies

- Enhanced available opportunities by completing career pathing for Technical Services Group and Human Resources. Sustained existing career pathways for Engineering & Construction, Operations & Maintenance, Risk & Assurance, Watershed Programs, Finance, Information Technology, District Administration and Administration & External Affairs.
- A total of 42 reclassifications, 34 promotions, and 53 equity reviews resulted from the Career Pathing process.
- Conducted a Compensation Study to ensure the Sewer District's salary market competitiveness.
- Developed and implemented Total Reward Statements for Sewer District employees.
- In 2023, Talent Acquisition filled a total of 201 open positions, with 110 of those positions being new hires into the organization.
- Participated in 20 career fairs.

Embrace Diversity and Encourage Inclusion

- HR team participated in the Allyship Workshop at The Watershed Stewardship Center. The workshop educated the team on how to show up as an ally, in private and public, for our coworkers with marginalized identities such as, women, people of color, people with disabilities, the LGBTQ+ community, and those with intersecting identities.

Engage Employees through Awards & Recognition

- Conducted quarterly Employee Recognition Awards programs that recognized 197 employees. Of this total, 19 employees were recognized twice and 1 was recognized three times.
- Held the Sewer District's Service Awards celebration that honored 140 employees for retiring or achieving service milestones.
- Introduced the HR Star Award recognizing excellence of Human Resources employees.

CSO Long-Term Control Plan

The Sewer District has responsibility for combined sewer overflows within its service area. The Sewer District holds a National Pollution Discharge Elimination System (NPDES) permit for the CSOs and is required to meet the requirements of capital improvement projects to significantly reduce the amount of overflow during rainstorms.

In addition to its three (3) wastewater treatment plants and over 300 miles of interceptor sewers, the Sewer District has responsibility for combined sewer overflows within its service area. The federal Clean Water Act and U.S. Environmental Protection Agency's (U.S. EPA) CSO Control Policy, along with the Sewer District's state issued CSO NPDES permit, required the Sewer District to develop a Long-Term Control Plan (LTCP) to reduce or eliminate the number of overflows from its 126 permitted outfalls. In 2010, the Sewer District came to a negotiated agreement with Ohio and U.S. EPA, U.S. Department of Justice, and the Ohio Attorney General's Office on a 25-year, \$3 billion CSO LTCP for which the Sewer District obtained authorization from its Board to enter a Consent Decree with the state and federal agencies in December 2010.

Prior to the CSO LTCP, the Sewer District had already invested an estimated \$850 million and reduced CSO volumes by half – from 9.0 to 4.5 billion gallons since 1972. The Sewer District's CSO LTCP will further control CSOs reducing the number of overflows to four or less per year (three or less at priority CSOs) resulting in an estimated 98.0% capture of all wet weather flows and reducing CSO volumes to less than 500 million gallons in a typical year.

In 2023, the Sewer District completed the design of the Southerly Storage Tunnel (SST), the sixth of the seven large-scale tunnels that will be constructed under the Consent Decree. This tunnel system has the capacity to store 64 million gallons of combined sewage for treatment at the Sewer District's Southerly Wastewater Treatment Plant controlling an estimated 760 million gallons of CSO annually. This is in addition to the previously completed Euclid Creek Tunnel (ECT), Dugway Storage Tunnel (DST), and Doan Valley Tunnel (DVT) that control over 1.1 billion gallons of CSO in a typical year. Additionally, the Sewer District continued construction of the fifth large-scale tunnel, the Shoreline Storage Tunnel, and continued construction of the Westerly Tunnel Dewatering Pump Station associated with the Westerly Storage Tunnel (WST), the fourth large-scale tunnel constructed by the Sewer District. Ultimately, the Sewer District will construct seven tunnels under its Consent Decree, which range from two to five miles in length, up to 300 feet underground and up to 25 feet in diameter. The tunnels are like the previously constructed Mill Creek Tunnel, a structure that has the capacity to store 75 million gallons of combined sewage until it can be treated at the Sewer District's Southerly Wastewater Treatment Plant.

The Sewer District plan also includes a commitment to a minimum of \$42 million in green infrastructure projects to reduce a minimum of 44 million gallons of wet weather CSO flows beyond those captured by the tunnel systems. In total, nine (9) green infrastructure projects were constructed.

Another major project the Sewer District completed under its Consent Decree outside of the storage tunnels includes the expansion of the Easterly wastewater secondary treatment capacity to provide full treatment to an additional 700 million gallons of wet weather flow in a typical year. The construction of the expansion was completed in 2017 and the system became fully operational in early 2018. Additionally, the construction of upgrades to the existing Westerly CSO Treatment Facility (CSOTF) with chemically enhanced high-rate treatment and disinfection (CEHRT) for further treatment of flow discharging at CSO 002, the third largest of the Sewer District's CSOs, commenced in April 2022 and continued through 2023.

Asset Management

Asset Management is the practice of managing the entire life cycle of assets with the objective of providing the best service while balancing acceptable risk and overall costs. Asset management principals have been incorporated into the Sewer District's capital and maintenance activities.

The Sewer District implemented a new Computerized Maintenance Management System (CMMS) in June of 2021. The software package, NexGen Asset Management, maintains a computer database of information about an organization's maintenance operations. NexGen Asset Management has been designed by professional engineers for water, wastewater, and stormwater utilities. Engineers have created the software to address utilities' asset management goals that include lifecycle management of aging infrastructure, stringent regulatory compliance, condition assessment, risk management and funding of capital improvement prioritization projects. NexGen also operates on a mobile platform, which will allow us improved accuracy and efficiency.

Capital Planning

The Sewer District uses a consistent, risk-based method for validating and prioritizing its Engineering Capital Improvement Program. Additionally, the Sewer District collects and manages data for all its plant and collection system assets to understand each asset's condition, criticality, repair and/or replacement costs and estimated year of renewal. The Sewer District uses this data to forecast long-term asset-related expenditures by year for incorporation into the Capital Improvement Program planning process.

Maintenance Activities

The Sewer District has developed and implemented Key Performance Indicator (KPI) metrics to measure operations and maintenance performance against desired targets/goals. KPIs allow the Sewer District to objectively improve cost accounting to the asset level, increase proactive/planned maintenance while reducing unplanned breakdowns, monitor work order backlog management, audit process sustainment, and ultimately ensure that the right maintenance is performed in the right amounts, at the right time to maintain critical assets at the acceptable level of risk at minimum cost.

Regional Stormwater Management Program

The Sewer District's founding Court Order required the Sewer District to "develop a detailed integrated capital improvement plan for regional management of wastewater collection and storm drainage to identify a capital improvement program for the solution of all intercommunity drainage problems (both storm and sanitary) in the District." The Sewer District initially focused on the sanitary sewage portion of this mandate, investing billions of dollars since its inception on a wide variety of sanitary sewage-related projects. To address the regional stormwater portion of this mandate, the Sewer District procured services in 2007 to assist with the development and implementation of a Regional Stormwater Management Program (the "Stormwater Program"). Tasks related to defining stormwater program roles and responsibilities, funding approaches, resource needs, legal issues, customer service requirements and data/billing issues were addressed, leading to the development of the Sewer District's Stormwater Code of Regulations (Title V), which the Sewer District's Board approved in January 2010.

From 2010-2012, the Stormwater Program was in litigation in the Cuyahoga County Common Pleas Court over issues related to the Sewer District’s “authority” to implement the program as an Ohio Revised Code 6119 entity, and “fee versus tax” issues related to the Sewer District’s stormwater fee. The Sewer District prevailed in the litigation and began the Stormwater Program in January 2013.

In July 2012, parties opposed to the Sewer District’s Regional Stormwater Management Program filed an appeal to the 8th Appellate Sewer District to seek a halt to the Regional Stormwater Management Program. On September 26, 2013, the Appellate Court halted the Sewer District’s Regional Stormwater Management Program by a 2 to 1 decision with a strong dissent. The Sewer District immediately suspended its program and placed all fees collected into an interest-bearing escrow account pending an appeal to the Supreme Court of Ohio. The Sewer District filed its notice of appeal in November 2013, and the Supreme Court accepted the case in February 2014. Oral arguments before the Supreme Court took place on September 9, 2014. In December 2015, the Ohio Supreme Court issued its final opinion that the Sewer District has the authority to implement the Regional Stormwater Management Program and collect the impervious surface fee. The Sewer District restarted the Stormwater Program and resumed billing in July of 2016. Currently, the Sewer District has Board approved 4.20% annual Stormwater fee increases from 2022 through 2026.

The Stormwater Program is designed to address long-standing regional stormwater flooding, erosion and water quality issues resulting from the incremental increases in stormwater runoff from hard surfaces that make their way into storm sewers and streams. The fees collected from the Stormwater Program are used to fund construction projects to solve regional stream flooding and erosion problems, for operation and maintenance activities to minimize the potential for flooding and erosion and for master planning studies to outline a long-term construction and maintenance program along regional streams.

Community Cost-Share Program

The Community Cost-Share Program provides funding to Member Communities for community-specific stormwater management projects. To implement the Community Cost-Share Program, the Sewer District has formed a financial account termed “Community Cost-Share Account” for the aggregation and dissemination of funds derived from Stormwater Fees collected in each Member Community. This program is presented in the non-operating expenses of the Statements of Revenues, Expenses and Changes in Net Position. Twenty-five percent of the total annual Stormwater Fee collected in each Member Community is allocated to the Community Cost-Share Account for each Member Community. The Community Cost-Share Account is under the control of the Sewer District, with disbursement of funds to Member Communities through a grant application and reimbursement process.

To access Community Cost-Share Program funds, Member Communities must maintain compliance with *Title V: Stormwater Management Code*. A Community Cost-Share Program Project must clearly promote or implement the goals and objectives of the Sewer District set forth in Title V and must be intended to address current, or minimize new, stormwater flooding, erosion, and water quality problems.

Green Infrastructure Grant Program

The Sewer District supports the strategic implementation and long-term maintenance of green infrastructure that protects, preserves, enhances, and restores natural hydrologic function. The Green Infrastructure Grant (GIG) Program focus is the funding of green infrastructure projects within the combined sewer area. Green infrastructure refers to stormwater source control measures that store, filter, infiltrate, or evapotranspire stormwater to increase resiliency of infrastructure by reducing stress on wet-weather drainage and collection systems thereby supporting healthy environments and strong communities.

The GIG Program for the combined sewer area is open to member communities, non-profits, and private organizations working in partnership with eligible member communities in the combined sewer area interested in implementing water resource projects that remove stormwater from the combined sewer system and in ensuring the long-term maintenance of these practices. A GIG is awarded through a competitive funding process with final recommendations approved by the Sewer District Board. The availability of GIG Program funds in any calendar year is at the discretion of the Board. This program is presented in the non-operating expenses of the statements of revenues, expenses, and changes in net position.

Member Community Infrastructure Program

The Member Community Infrastructure Program (MCIP) is a funding program provided by the Sewer District to assist both member communities and other eligible public entities that own, operate, and maintain public sewer infrastructure that is tributary to a Sewer District wastewater treatment plant, with cost-effective sewer infrastructure projects to address water quality and quantity issues associated with sewer infrastructure that adversely impact human health and the environment. The availability of MCIP funds in any calendar year is at the discretion of the Board. This program is presented in the non-operating expenses of the statements of revenues, expenses, and changes in net position.

The intent of the MCIP is to provide an annual funding opportunity to member communities and eligible public entities for sewer infrastructure repair and rehabilitation that will:

- Continue progress towards environmentally sustainable and healthy communities through protection and improvement of the region's water resources consistent with the vision of the Sewer District.
- Improve function and condition of the local sewer system.
- Identify and remove sources of inflow and infiltration (I/I) from the sewer system. This reduction would preserve the hydraulic capacity of the local and Sewer District sewer system and alleviate problems such as basement flooding.

Strategic and Operational Action Plan

The Northeast Ohio Regional Sewer District Strategic Plan covers the years 2022 through 2024. Since its development and approval in 2021, the Sewer District is well into the final year of the plan which includes confirming its next iteration for the years 2025 through 2027.

The Plan was constructed around five strategic areas of focus: Customer and Community Connections, Environmental Protection and Sustainability, Financial Viability, Operational Excellence, and Workforce Planning, Engagement, and Investment. All strategic objectives were aligned to one of these five areas, and are committed to the Sewer District's mission, vision, and values.

The Strategic Plan provides a navigational guide for the Sewer District through 2024. The continually changing environment in which the Sewer District operates requires annual review for these plans to remain timely and useful. The Sewer District continues to understand and meet customer needs, enhance water quality, provide cost-effective and efficient capital improvements, and build on its already strong reputation as a preeminent leader among water agencies.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sewer District for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. This was the 28th consecutive year that the Sewer District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this Annual Comprehensive Financial Report would not have been possible without the efficient and dedicated services of the entire staff of the Finance department and the Communications and Community Relations department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Kyle Dreyfuss-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer



**Northeast Ohio
Regional Sewer District**

2022 Annual Comprehensive Financial Reporting Award



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Northeast Ohio Regional Sewer District

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO



**Northeast Ohio
Regional Sewer District**

***2023 Government Finance Officers Association
Distinguished Budget Award***



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Northeast Ohio Regional Sewer District
Ohio**

For the Fiscal Year Beginning

1/1/2023

Christopher P. Morill

Executive Director

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
TABLE OF ORGANIZATION
DECEMBER 31, 2023**

BOARD OF TRUSTEES



Darnell Brown
Board President



Ronald D. Sulik
Vice President



Mayor Timothy DeGeeter
Secretary



Mayor Samuel J. Alai



Mayor Jack Bacci



Marjorie Chambers



Sharon A. Dumas

OFFICERS



Kyle Dreyfuss-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer
77 employees



James Bunsey
Chief Operating Officer
465 employees



Eric Luckage
Chief Legal Officer
10 employees



Constance T. Haqq
Chief Administrative Officer
61 employees

DIRECTORS



Francis G. Foley
Director of
Operations and Maintenance
428 employees



Mohan Kurup
Director of
Information Technology
34 employees



Devona Marshall
Director of Engineering
and Construction
37 employees



Jacqueline Muhammad
Director of
Government &
Customer Relations
20 employees



Matthew Scharver
Director of
Watershed Programs
120 employees



Jean Smith
Director of
Administration &
External Affairs
35 employees

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Financial
section



Independent Auditor's Report

Board of Trustees
Northeast Ohio Regional Sewer District
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Northeast Ohio Regional Sewer District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 3 to the financial statements, during 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 required schedules on pensions and other postemployment benefits as listed in the table of contents 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and related notes on pages 94 through 96 are presented for purposes of additional analysis and are 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 supplementary information and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Northeast Ohio Regional Sewer District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Ciampi & Parricchi, Inc.

Cleveland, Ohio
June 28, 2024

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

The following discussion provides a summary overview of the financial activities of the Northeast Ohio Regional Sewer District (the "Sewer District") for the years ended December 31, 2023, 2022 and 2021. This information should be read in conjunction with the letter of transmittal, basic financial statements and notes to those financial statements included in this report.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,186,833,185.
- Net position increased by \$156,771,321.
- Net investment in capital assets increased by \$70,208,640.
- Unrestricted net position increased by \$84,706,926.
- Retirement of debt principal was \$64,332,444.
- Operating revenues increased by \$20,180,513.
- Operating expenses increased by \$47,315,100.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Sewer District's basic financial statements. The Sewer District's basic financial statements are the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flow and the accompanying notes to the basic financial statements. This report also contains the required supplementary information and other supplementary information in addition to the basic financial statements. These statements report information about the Sewer District as a whole and about its activities. The Sewer District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner like a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The statements of net position present the Sewer District's financial position and report the resources owned by the Sewer District (assets and deferred outflows of resources) and obligations owed by the Sewer District (liabilities and deferred inflows of resources) and District net position (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources). The statements of revenues, expenses and changes in net position present a summary of how the Sewer District's net position changed during the year. Revenues are reported when earned and expenses are reported when incurred. The statements of cash flow provide information about the Sewer District's cash receipts and disbursements during the year. They summarize net changes in cash resulting from operating, investing, and financing activities. The notes to the basic financial statements provide additional information that is essential for a full understanding of the financial statements.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

Financial Analysis of the Sewer District's Financial Position and Results of Operations

The following tables provide a summary of the Sewer District's financial position and operations for 2023, 2022, and 2021, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

Condensed Statements of Net Position

December 31,

(In Thousands)

| | 2023 | Restated 2022 | Restated 2021 |
|--|---------------------|---------------------|---------------------|
| <u>Assets</u> | | | |
| Current Assets | \$ 738,903 | \$ 682,486 | \$ 647,740 |
| Capital Assets, Net | 3,345,533 | 3,261,408 | 3,153,076 |
| Other Noncurrent Assets | 118,467 | 91,397 | 104,678 |
| Total Assets | 4,202,903 | 4,035,291 | 3,905,494 |
| <u>Deferred Outflows of Resources</u> | | | |
| Pension | 40,309 | 12,864 | 7,423 |
| OPEB | 6,856 | 267 | 3,545 |
| Deferred Charge on Refunding | 36,180 | 38,456 | 42,808 |
| Asset Retirement Obligation | - | 80 | 101 |
| Total Deferred Outflows of Resources | 83,345 | 51,667 | 53,877 |
| Total Assets and Deferred Outflows of Resources | 4,286,248 | 4,086,958 | 3,959,371 |
| <u>Liabilities</u> | | | |
| Current Liabilities | 133,116 | 125,045 | 111,139 |
| Long-Term Debt | 1,864,072 | 1,848,714 | 1,889,039 |
| Net Pension Liability | 95,639 | 28,718 | 52,833 |
| Net OPEB Liability | 2,185 | - | - |
| Lease Liability, Long-Term | 127 | 221 | 196 |
| Subscription Liability, Long-Term | 1,030 | 2,733 | - |
| Asset Retirement Obligation, Long-Term | - | 55 | 80 |
| Total Liabilities | 2,096,169 | 2,005,486 | 2,053,287 |
| <u>Deferred Inflows of Resources</u> | | | |
| Pension | 1,736 | 38,830 | 23,576 |
| OPEB | 859 | 11,890 | 20,927 |
| Leases | 651 | 690 | 728 |
| Total Deferred Inflows of Resources | 3,246 | 51,410 | 45,231 |
| Total Liabilities and Deferred Inflows of Resources | 2,099,415 | 2,056,896 | 2,098,518 |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | 1,463,382 | 1,393,174 | 1,258,993 |
| Restricted - Stormwater Community Cost-Share | 39,135 | 36,587 | 31,470 |
| Restricted - Net Pension Plan | 1,283 | 1,975 | 1,578 |
| Unrestricted | 683,033 | 598,326 | 568,812 |
| Total Net Position | \$ 2,186,833 | \$ 2,030,062 | \$ 1,860,853 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management’s Discussion and Analysis
Unaudited

The Sewer District adopted Governmental Accounting Standards Board (GASB) Statement 68, “*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*,” which significantly revises accounting for pension costs and liabilities and GASB Statement 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Sewer District’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension / OPEB asset and deferred outflows related to pension and OPEB. GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension and OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s total pension liability or total OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB systems and state law governing those systems requires additional explanation to properly understand the information presented in these statements.

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
Unaudited

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statements of net position.

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

The Sewer District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,186,833,185 as of December 31, 2023, of which \$1,463,382,074 is for net investment in capital assets. The largest portion of the Sewer District's net position is reflected in its capital assets, less accumulated depreciation and amortization, and related debt outstanding used to fund these asset acquisitions.

During 2022, the Sewer District implemented GASB Statement No. 87, *Leases* ("GASB 87"). GASB 87 requires recognition of certain lease assets, liabilities, and deferred inflows of resources for leases that previously were classified as operating leases and were previously recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As the result of the GASB 87 implementation described above, the Sewer District restated its net position at December 31, 2021, from \$1,860,839,203 previously reported to \$1,860,853,055. The cumulative effect of adopting this Statement did not impact the Sewer District's net position as of January 1, 2021.

During 2023, the Sewer District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). As a result, items previously recorded as operating expenses are now classified as subscriptions (see Note 2, 3, 7 and 13 for additional details). Furthermore, the Sewer District restated its net position at December 31, 2022, from \$2,030,202,907 previously reported to \$2,030,061,864. See Notes 3 and 13 for details.

During 2023, net position increased by \$156,771,321. Most of this increase was due to the following:

- Net capital assets increased by \$84,124,750 due to construction in progress and additions to the sewer system and wastewater treatment systems.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

- The net OPEB asset decreased by \$11,092,801 and the net pension asset decreased by \$803,703. The Sewer District's deferred inflows of resources for OPEB decreased by \$11,031,243. Deferred outflows of resources for OPEB increased by \$6,589,012. The Sewer District is required under GASB 75 to recognize its proportionate share of the OPERS net OBEB liability or asset. The pension and OPEB outflows are subject to many variables beyond the Sewer District's control as these outflows are part of the State pension system's postemployment benefits. OPERS reported \$631 million OPEB liability as compared to a \$3.1 billion OPEB asset in the prior year. The Sewer District's deferred outflows of resources and liability for asset retirement obligations decreased by \$79,950 due to change in assumptions.
- Total long-term obligations increased by \$82,611,514. There was a \$66,921,051 increase for the net pension liability. There was a \$15,358,018 increase in long-term debt due to new borrowings in excess of debt repayment.
- Deferred inflows of resources related to pension decreased by \$37,094,688 and the deferred outflows of resources for pension increased by \$27,445,234. The change in pension and OPEB inflows are attributed to the change in the system's experience, assumptions, and investment performance as well as the Sewer District's proportionate share. Deferred inflows related to leases decreased by \$38,315 due to the recognition of lease revenue.
- The Sewer District performed analysis during fiscal year 2023 of subscription-based information technology arrangements (SBITAs) that were previously recorded as operating expenses and determined that under GASB Statement No. 96 these agreements resulted in subscription assets of \$4.5 million and \$5.8 million as of December 31, 2023 and 2022, respectively. Additional details are presented in Notes 3 and 13 of the financial statements.

During 2022, net position increased by \$169,208,809. Most of this increase was due to the following:

- Net capital assets increased by \$108,332,686 due to construction in progress and additions to the sewer system and wastewater treatment systems.
- The net OPEB asset increased \$4,288,165 and the net pension asset increased by \$453,859. The Sewer District's deferred inflows of resources for OPEB decreased by \$9,037,060. Decreases to deferred outflows of resources for OPEB were \$3,277,067. The Sewer District is required under GASB 75 to recognize its proportionate share of the OPERS net OBEB liability or asset. The pension and OPEB outflows are subject to many variables beyond the Sewer District's control as these outflows are part of the State pension system's postemployment benefits. OPERS reported a \$3.1 billion OPEB asset as compared to a \$1.8 billion OPEB asset in the prior year.
- Total long-term obligations decreased by \$61,706,338. There was a \$24,114,596 decrease for net pension liability. There was a \$40,324,877 decrease in long-term debt due to debt repayments in excess of new borrowing.
- Deferred inflows of resources related to pension increased by \$15,254,062 and the deferred outflows of resources for pension increased by \$5,440,061. The change in pension and OPEB inflows are attributed to the change in the system's experience, assumptions, and investment performance as well as the Sewer District's proportionate share. The Sewer District's deferred outflows of resources for asset retirement obligations decreased by \$20,880 and the liability related to AROs decreased by \$20,880 due to change in assumptions. Deferred inflows of resources related to leases decreased by \$38,315 due to the recognition of lease revenue.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

To further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2023, 2022 and 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, (In Thousands)

| | 2023 | Restated 2022 | Restated 2021 |
|--|---------------------|---------------------|---------------------|
| <u>Operating Revenues, Net</u> | | | |
| Sewer and Stormwater Service Fees: | | | |
| Billing Agents | | | |
| City of Cleveland | \$ 410,092 | \$ 395,981 | \$ 387,061 |
| Other Billing Agents | 7,596 | 7,456 | 7,459 |
| Total Billing Agents | 417,688 | 403,437 | 394,520 |
| Direct Billed Sewer and Stormwater Service Fees | 36,244 | 31,058 | 29,785 |
| Total Sewer and Stormwater Service Fees | 453,932 | 434,495 | 424,305 |
| Other Operating Revenues: | | | |
| Septic Tank and Municipal Sludge Fees | 1,483 | 800 | 752 |
| Miscellaneous | 1,325 | 1,264 | 1,530 |
| Total Other Operating Revenue | 2,808 | 2,064 | 2,282 |
| Total Operating Revenues, Net | 456,740 | 436,559 | 426,587 |
| <u>Non-Operating Revenues</u> | | | |
| Interest Revenue | 24,256 | 7,017 | 1,666 |
| Asset Retirement Obligation, Non-Operating Transaction | - | 31 | 298 |
| Federal Subsidy Revenue | 1,541 | 1,533 | 1,529 |
| Non-Operating Grant Revenue | 7,810 | 1,000 | - |
| Lease Revenue | 38 | 38 | 38 |
| Gain on Early Lease Termination | - | 1 | - |
| Increase (Decrease) in Fair Value of Investments, Net | 4,943 | (2,561) | (980) |
| Total Non-Operating Revenues | 38,588 | 7,059 | 2,551 |
| Total Revenues | 495,328 | 443,618 | 429,138 |
| <u>Operating Expenses</u> | | | |
| Salaries and Wages | 62,108 | 57,609 | 56,169 |
| Fringe Benefits | 20,327 | (4,079) | (27,441) |
| Utilities | 15,280 | 11,948 | 11,364 |
| Professional and Contractual Services | 51,288 | 41,075 | 38,219 |
| Other | 12,228 | 11,138 | 10,543 |
| Depreciation | 93,631 | 89,855 | 85,610 |
| Total Operating Expenses | 254,862 | 207,546 | 174,464 |
| <u>Non-Operating Expenses</u> | | | |
| Interest Expense on Long-Term Debt | 50,761 | 51,911 | 55,905 |
| Interest Lease Expense | 1 | 3 | 1 |
| SBITA Interest Expense | 74 | 96 | - |
| Non-Operating Grant Expense | 7,810 | - | - |
| Green Infrastructure Program | 2,113 | 635 | 1,295 |
| Member Community Infrastructure Community Program | 7,359 | 6,979 | 5,080 |
| Stormwater Community Cost-Share Disbursement | 11,778 | 5,296 | 9,618 |
| Loss on Bond Defeasance | - | 1,112 | 1,040 |
| Loss on Non-Operating Miscellaneous Transactions | - | - | 11 |
| Loss on Disposals of Equipment | 3,799 | 831 | 11,915 |
| Total Non-Operating Expenses | 83,695 | 66,863 | 84,865 |
| Total Expenses | 338,557 | 274,409 | 259,329 |
| Change in Net Position | 156,771 | 169,209 | 169,809 |
| Net Position at Beginning of Year | 2,030,062 | 1,860,853 | 1,691,044 |
| Net Position at End of Year | \$ 2,186,833 | \$ 2,030,062 | \$ 1,860,853 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
Unaudited

Operating revenues, net consist mainly of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2023:

- Operating revenues increased by \$20,180,513 (4.6%) compared to 2022. The increase was mainly due to higher sewer and stormwater billing rates in 2023.
- Non-operating revenues increased by \$31,528,832 (446.6%). Non-operating revenues consist of interest revenue, lease revenue, the change in fair value of investments, grant revenue, gain on asset retirement obligation, gain on early lease termination, and federal subsidy revenue. Interest revenue increased by \$17,239,410 (245.7%) due to higher interest rates on the Sewer District increased investment holdings. The fair value of investments for 2023 increased by \$7,503,786 (293.0%) due to the rising interest rates on the Sewer District investment holdings. Non-operating grant revenue and expense of \$7,809,674 was recognized in 2023. This is due to the Sewer District receiving Congressionally Directed Spending (CDS)/Community Project Funding (CPF) to offset sewer and stormwater project costs. \$38,315 of lease revenue were recognized during 2023.
- Operating expenses increased by \$47,315,100 (22.8%) compared to 2022. Main components of operating expenses are as follows:
 - Salary and wages increased \$4,498,681 (7.8%) due to previously open job positions being filled and general wage increases.
 - Professional and contractual services increased \$10,213,274 (24.9%) due to an increase in environmental and ecological assessment services in the Watershed Program, an increase in Diversity, Equity and Inclusion initiatives and Cleveland Housing Network services, and an increase in Stormwater related projects throughout the year to address stream restoration, culvert repairs, flood prevention projects, and the removal of debris around lakes and river distributaries.
 - Fringe benefit costs increased by \$24,405,611 (598.3%) from 2022. This increase is primarily the result of the adjustment related to GASB 68 and GASB 75 that resulted in \$1,157,749 of additional expense in the current year to record its proportionate share of the OPERS and OPEB liability (asset). As previously stated, OPERS reported a \$631 million OPEB liability as compared to a \$3.1 billion OPEB asset reported in the prior year.
 - Utilities increased \$3,332,283 (27.9%) mainly due to general increases in power rates in relation to inflation pressure.
 - Other operating expenses increased due to the net effect of the changes of its subcategory expenses. The increase in primarily the result of increases in equipment repair and maintenance and equipment and instrumentation parts due to a general increase in need at the wastewater treatment plants and the impact of inflation.
- Non-operating expenses increased \$16,831,733 (25.2%) due to increases in loss on disposal of equipment, stormwater community cost-share reimbursements, green infrastructure payments, grant expense, and interest expense on long-term debt. Loss on disposals of equipment increased by \$2,967,917 (357.3%) due to increased disposal activity primarily at the wastewater treatment plants.

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
Unaudited

Operating revenues, net consist mainly of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2022:

- Operating revenues increased by \$9,972,516 (2.3%) compared to 2021. The increase was mainly due to higher sewer and stormwater billing rates in 2022.
- Non-operating revenues increased by \$4,507,392 (176.6%). Non-operating revenues consist of interest revenue, lease revenue, the change in fair value of investments, grant revenue, gain on asset retirement obligation, gain on early lease termination, and federal subsidy revenue. Interest revenue increased by \$5,350,234 (321.1%) due to higher interest rates on District investment holdings. The fair value of investments for 2022 decreased by \$1,580,850 (161.3%) due to the rising interest rate environment on District investment holdings. A non-cash gain of \$30,892 was recognized on ARO due to changes in assumptions. Non-operating grant revenue of \$1,000,000 was recognized in 2022. A \$1,447 gain on early lease termination and \$38,315 of lease revenue were recognized during 2022.
- Operating expenses increased by \$33,082,163 (19.0%) compared to 2021. Main components of operating expenses are as follows:
 - Salary and wages increased \$1,440,225 (2.6%) due to previously open job positions being filled and general wage increases.
 - Professional and contractual services increased \$2,856,039 (7.5%) due to Stormwater related projects picking up throughout the year to address stream restoration, culvert repairs, flood prevention projects, and the removal of debris around lakes and river distributaries.
 - Fringe benefit costs increased by \$23,362,276 or (85.1%) from 2021. This increase is primarily the result of the adjustment related to GASB 68 and GASB 75 that resulted in \$23,201,110 of additional expense in the current year to record its proportionate share of the OPERS and OPEB liability (asset). As previously stated, OPERS reported a \$3.1 billion OPEB asset for the measurement year 2021 as compared to a \$1.8 billion OPEB asset reported in the measurement year 2020 largely due to changes made to the health care plan offered to OPERS covered retirees.
 - Utilities increased \$583,442 (5.1%) mainly due to general increases in power rates in relation to inflation pressure.
 - Other operating expenses increased due to the net effect of the changes of its subcategory expenses. Travel utilization increased by \$146,802 (364.1%) due to inflation related rate increases for airfare, ground transportation and lodging for employee travel for educational purposes. Software is higher as the Sewer District conducted an upgrade to the Financial Enterprise Resource Planning software and saw increases in subscription-based software services utilized by various departments. Postage increased \$109,759 (296.3%) as the Sewer District increased customer engagement activities for revenue collection, affordability updates and signing up customers for payment plan options for past due billings.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

- Non-operating expenses decreased \$18,002,354 (21.2%) due to decreases in loss on disposal of equipment, stormwater community cost-share reimbursements, green infrastructure payments, and interest expense on long-term debt. Loss on disposals of equipment decreased by \$11,084,345 (93.0%) due to decreased disposal activity primarily at the wastewater treatment plants.

Capital Assets

At December 31, 2023, capital asset balances were as follows compared to 2022 and 2021. Refer to Notes 3 and 6 of the audited financial statements for more detailed information on capital assets.

Capital Assets at December 31, 2023, 2022 and 2021 (Net of Depreciation, in Thousands)

| | 2023 | Restated 2022 | Restated 2021 |
|--|--------------|------------------|------------------|
| Land | \$ 75,208 | \$ 48,856 | \$ 44,448 |
| Construction in Progress | 606,120 | 482,769 | 434,725 |
| Interceptor Sewer Lines | 1,702,242 | 1,717,817 | 1,718,941 |
| Buildings, Structures and Improvements and Equipment | 623,294 | 645,090 | 598,610 |
| Sewage Treatment and Other Equipment | 323,742 | 350,173 | 345,542 |
| Right to Use-Intangible | 10,199 | 10,615 | 10,532 |
| Right to Use-Intangible Leased Asset | 215 | 313 | 278 |
| Right to Use-Intangible SBITA Asset | 4,513 | 5,775 | - |
| Total | \$ 3,345,533 | \$ 3,261,408 | \$ 3,153,076 |

| | Amount |
|---|-----------|
| Major Additions Placed into Service in 2023, at Cost Included: | |
| Brookside Culvert Repairs | \$ 6,169 |
| District-Wide Roof Improvements | 4,254 |
| Debris Racks and Access Road Improvements | 3,986 |
| District-Wide Roof Improvements Phase 2 | 2,104 |
| Easterly Tunnel Dewatering Pump Station Groundwater Drainage Cleaning and Repairs | 1,413 |
| Total Major Additions Placed into Service in 2023 | \$ 17,926 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
Unaudited

| | Amount |
|---|------------|
| Major Additions Placed into Service in 2022, at Cost Included: | |
| Southerly Second Stage Settling Improvements | \$ 39,781 |
| Morgana Run Relief Sewer | 21,371 |
| West 3rd Quigley/ Westerly Miscellaneous CSO Control | 13,200 |
| Easterly Aeration Tank Rehabilitation | 13,014 |
| District Wide HVAC Equipment and Systems Upgrades | 5,426 |
| Southerly Miscellaneous Disinfection and Solids Handling Improvements | 4,710 |
| Easterly/Southerly Fiber Replacement | 4,011 |
| Total Major Additions Placed into Service in 2022 | \$ 101,513 |

Debt Administration

At December 31, 2023, the Sewer District had total debt outstanding of \$1,925,268,922. This represents a net increase of \$14,434,657 for total debt from 2022 mainly due to net change in the Ohio Water Development Authority Water borrowings in excess of retirements. Total debt payments were \$64,332,444, of which \$8,555,000 was for bond retirement, and \$55,777,444 for retirement of loans. The carrying value of the long-term portion of debt on December 31, 2023 was \$1,864,071,708 and the fair value of the long-term debt was \$1,779,300,800.

At December 31, 2022, the Sewer District had a total debt outstanding of \$1,910,834,265. This represents a decrease of \$37,242,655 for total debt from 2021 due to no additions in bonds, as well as a decrease of \$6,813,507 in the issuance of new loans from the Ohio Water Development Authority Water Pollution Control Loan Fund of \$123,628,947 as of December 31, 2022 compared to \$130,442,454 as of December 31, 2021; total debt payments were \$154,977,262, of which \$93,890,000 was for bond retirement, which includes \$86,636,346 for partial cash defeasance of the 2014 and 2020 bonds and premium, and \$61,087,262 for retirement of loans. The carrying value of the long-term portion of debt on December 31, 2022, was \$1,848,713,690 and the fair value of the long-term debt was \$1,730,959,435.

This information should be read in conjunction with Note 7 to the audited financial statements for more detailed information on long-term debt.

Outstanding Debt at December 31,
(In Thousands)

| | 2023 | 2022 | 2021 |
|-------------------------------|--------------|--------------|--------------|
| Revenue Bonds | \$ 930,746 | \$ 941,983 | \$ 1,041,767 |
| Water Pollution Loans Payable | 994,523 | 968,851 | 906,310 |
| Total Debt | \$ 1,925,269 | \$ 1,910,834 | \$ 1,948,077 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
Unaudited

Economic Factors

On July 15, 2021, the Board approved rate increases scheduled for the years 2022 through 2026 after completing a five-year rate study. As part of the Sewer District's Rate Study, a demand analysis was performed to forecast the usage based on patterns of growth/decline. In this study, the Sewer District used recent trends in demands, population, change in households, employment projects, impact of water conservation and price elasticity. Effective January 1, 2023, sewer rates charged to District customers increased to \$115.60 per mcf for City of Cleveland and suburban customers and the fixed fee was increased to \$10.50 per month for regular customers and \$6.30 per month for Homestead/Affordability customers. In addition, effective January 1, 2023, stormwater fee rate was increased to \$5.60. Effective January 1, 2022, sewer rates charged to District customers increased to \$110.95 per mcf for City of Cleveland and suburban customers and the fixed fee was increased to \$10.10 per month for regular customers and \$6.05 per month for Homestead/Affordability customers. In addition, effective January 1, 2022, stormwater fee rate was increased to \$5.37.

Contacting the Sewer District's Financial Management

This financial report is designed to provide a general overview of the Sewer District's finances for all interested parties. Questions and requests for additional information regarding this report should be addressed to the Chief Financial Officer, Northeast Ohio Regional Sewer District, 3900 Euclid Avenue, Cleveland, Ohio 44115, by telephone at (216) 881-6600, or at www.neorsd.org.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Net Position

December 31, 2023 and 2022

| | 2023 | Restated 2022 |
|--|------------------|------------------|
| Current Assets: | | |
| Cash | \$ 20,852,540 | \$ 8,269,385 |
| Sewage Short-Term Investments | 445,843,181 | 440,870,989 |
| Stormwater Short-Term Investments | 34,625,877 | 9,998,797 |
| Stormwater Community Cost-Share, Short-Term Investments | 39,134,905 | 36,587,005 |
| Lease Receivable, Short-Term | 26,455 | 25,069 |
| Lease Interest Receivable | 9,367 | 9,710 |
| Sewage Service Fees Receivable, Less Allowance for Doubtful Accounts of \$24,300,000 in 2023 and \$25,000,000 in 2022 | 149,307,211 | 140,819,318 |
| Stormwater Service Fees Receivable, Less Allowance for Doubtful Accounts of \$941,000 in 2023 and \$918,000 in 2022 | 20,338,214 | 20,014,873 |
| Receivables from Federal, State and Other Agencies | 19,911,588 | 17,132,571 |
| Inventory, Prepaid Expenses and Other | 8,853,175 | 8,758,466 |
| Total Current Assets | 738,902,513 | 682,486,183 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Interceptor Sewer Lines | 2,141,823,271 | 2,127,036,058 |
| Buildings, Structures and Improvements and Equipment | 1,271,742,167 | 1,265,722,088 |
| Sewage Treatment and Other Equipment | 680,946,816 | 684,614,683 |
| Right to Use - Intangible | 12,684,961 | 12,677,810 |
| Right to Use - Intangible Leased Asset | 447,688 | 447,688 |
| Right to Use - Intangible SBITA Asset | 8,164,586 | 7,328,227 |
| | 4,115,809,489 | 4,097,826,554 |
| Less: Accumulated Depreciation and Amortization | (1,451,604,105) | (1,368,043,124) |
| | 2,664,205,384 | 2,729,783,430 |
| Land | 75,207,783 | 48,856,132 |
| Construction in Progress | 606,120,046 | 482,768,901 |
| Net Capital Assets | 3,345,533,213 | 3,261,408,463 |
| Long-Term Investments | 105,345,101 | 67,382,543 |
| Lease Receivable, Long-Term | 658,263 | 684,718 |
| Revenue Bond Debt Service Deposit - Restricted | 11,180,997 | 10,149,547 |
| Net Pension Asset - Restricted | 1,283,232 | 2,086,935 |
| Net OPEB Asset - Restricted | - | 11,092,801 |
| Total Noncurrent Assets | 3,464,000,806 | 3,352,805,007 |
| Total Assets | 4,202,903,319 | 4,035,291,190 |
| Deferred Outflows of Resources: | | |
| Pension | 40,308,804 | 12,863,570 |
| OPEB | 6,856,483 | 267,471 |
| Deferred Charge on Bond Refunding | 36,179,465 | 38,455,793 |
| Asset Retirement Obligation | - | 79,950 |
| Total Deferred Outflows of Resources | 83,344,752 | 51,666,784 |
| Total Assets and Deferred Outflows of Resources | \$ 4,286,248,071 | \$ 4,086,957,974 |

Continue

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Net Position (Continued)

December 31, 2023 and 2022

| | 2023 | Restated 2022 |
|---|-----------------|------------------|
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 19,895,714 | \$ 13,364,386 |
| Construction Contracts and Retainages Payable | 26,187,037 | 25,020,736 |
| Accrued Interest Payable | 12,348,701 | 13,056,892 |
| Other Accrued Liabilities | 10,175,652 | 8,973,820 |
| Lease Liability, Short-Term | 94,514 | 95,579 |
| Unearned Grant Revenue, Short-Term | 1,000,000 | - |
| Subscription Liability, Short-Term | 2,217,683 | 2,387,569 |
| Current Maturities of Debt | 61,197,214 | 62,120,575 |
| Asset Retirement Obligation Liability, Short-Term | - | 25,450 |
| Total Current Liabilities | 133,116,515 | 125,045,007 |
| Noncurrent Liabilities: | | |
| Long-Term Bonds and WPCLF | 1,864,071,708 | 1,848,713,690 |
| Net Pension Liability | 95,639,436 | 28,718,385 |
| Net OPEB Liability | 2,184,876 | - |
| Lease Liability, Long-Term | 126,464 | 220,978 |
| Subscription Liability, Long-Term | 1,029,967 | 2,733,384 |
| Asset Retirement Obligation, Long-Term | - | 54,500 |
| Total Noncurrent Liabilities | 1,963,052,451 | 1,880,440,937 |
| Total Liabilities | 2,096,168,966 | 2,005,485,944 |
| Deferred Inflows of Resources: | | |
| Pension | 1,735,675 | 38,830,363 |
| OPEB | 858,891 | 11,890,134 |
| Leases | 651,354 | 689,669 |
| Total Deferred Inflows of Resources | 3,245,920 | 51,410,166 |
| Total Liabilities and Deferred Inflows of Resources | 2,099,414,886 | 2,056,896,110 |
| Net Position: | | |
| Net Investment in Capital Assets | 1,463,382,074 | 1,393,173,434 |
| Restricted - Stormwater Community Cost-Share | 39,134,905 | 36,587,005 |
| Restricted - Net Pension Asset | 1,283,232 | 1,975,377 |
| Unrestricted | 683,032,974 | 598,326,048 |
| Total Net Position | \$2,186,833,185 | \$2,030,061,864 |

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

| | 2023 | Restated 2022 |
|--|-------------------------|-------------------------|
| Operating Revenues - Sewage: | | |
| Billing Agents | \$ 370,053,920 | \$ 357,795,915 |
| Direct Billed | 35,293,213 | 30,167,877 |
| Other | 2,776,430 | 1,919,436 |
| Total Operating Revenues - Sewage | <u>408,123,563</u> | <u>389,883,228</u> |
| Operating Revenues - Stormwater: | | |
| Billing Agents | 47,634,058 | 45,641,388 |
| Direct Billed | 950,984 | 889,886 |
| Other | 31,099 | 144,689 |
| Total Operating Revenues - Stormwater | <u>48,616,141</u> | <u>46,675,963</u> |
| Total District's Operating Revenues, Net | <u>456,739,704</u> | <u>436,559,191</u> |
| Operating Expenses - Sewage: | | |
| Salaries and Wages | 58,488,877 | 54,289,131 |
| Fringe Benefits | 19,742,878 | (4,608,552) |
| Utilities | 15,280,072 | 11,947,789 |
| Professional and Contractual Services | 25,823,412 | 23,065,747 |
| Other | 12,095,496 | 10,995,370 |
| Stormwater Indirect Cost Allocation | (4,259,987) | (4,275,752) |
| Depreciation and Amortization | 93,631,020 | 89,855,111 |
| Total Operating Expenses - Sewage | <u>220,801,768</u> | <u>181,268,844</u> |
| Operating Expenses - Stormwater: | | |
| Salaries and Wages | 3,618,778 | 3,319,843 |
| Fringe Benefits | 583,664 | 529,483 |
| Professional and Contractual Services | 25,465,209 | 18,009,600 |
| Other | 131,762 | 142,546 |
| Stormwater Indirect Cost Allocation | 4,259,987 | 4,275,752 |
| Total Operating Expenses - Stormwater | <u>34,059,400</u> | <u>26,277,224</u> |
| Total District's Operating Expenses | <u>254,861,168</u> | <u>207,546,068</u> |
| Operating Income | <u>201,878,536</u> | <u>229,013,123</u> |
| Non-Operating Revenues (Expenses): | | |
| Interest Revenue | 24,256,066 | 7,016,656 |
| Lease Revenue | 38,315 | 38,315 |
| Increase (Decrease) in Fair Value of Investments, Net | 4,942,718 | (2,561,068) |
| Non-Operating Grant Revenue | 7,809,674 | 1,000,000 |
| Non-Operating Grant Expenses | (7,809,674) | - |
| Green Infrastructure Program | (2,113,331) | (634,937) |
| Member Community Infrastructure Program | (7,358,999) | (6,978,698) |
| Stormwater Community Cost-Share Disbursement | (11,778,041) | (5,296,322) |
| Loss on Disposals of Equipment, Net | (3,798,520) | (830,603) |
| Loss on Bond Defeasance | - | (1,111,736) |
| Interest Expense on Long-Term Debt, Leases and Subscriptions | (50,836,638) | (52,011,174) |
| Asset Retirement Obligation, Non-Operating Transaction | - | 30,892 |
| Gain on Early Lease Termination | - | 1,447 |
| Federal Subsidy Revenue | 1,541,215 | 1,532,914 |
| Total Non-Operating Revenues (Expenses), Net | <u>(45,107,215)</u> | <u>(59,804,314)</u> |
| Change in Net Position | 156,771,321 | 169,208,809 |
| Net Position at Beginning of Year - Restated, See Note 3 | <u>2,030,061,864</u> | <u>1,860,853,055</u> |
| Net Position at End of Year | <u>\$ 2,186,833,185</u> | <u>\$ 2,030,061,864</u> |

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Cash Flow

For the Years Ended December 31, 2023 and 2022

| | 2023 | Restated 2022 |
|--|----------------|------------------|
| Cash Flows from Operating Activities | | |
| Cash Received From Customers | \$ 448,963,481 | \$ 433,705,228 |
| Cash Payments to Suppliers for Goods and Services | (93,609,702) | (72,176,402) |
| Cash Payments to Employees for Services | (82,390,110) | (78,994,150) |
| Net Cash Provided by Operating Activities | 272,963,669 | 282,534,676 |
| Cash Flows From Investing Activities | | |
| Purchases of Investments | (478,368,615) | (398,752,961) |
| Proceeds from Maturities of Investments | 413,463,489 | 355,488,695 |
| Interest on Investments | 22,962,729 | 6,655,632 |
| Net Cash Used by Investing Activities | (41,942,397) | (36,608,634) |
| Cash Flows From Non-Capital Financing Activities | | |
| Gain on Non-Operating Miscellaneous Transaction | - | 30,892 |
| Grant Payments | (7,809,673) | - |
| Grant Proceeds | 6,672,308 | 1,000,000 |
| Net Cash (Used) Provided by Non-Capital Financing Activities | (1,137,365) | 1,030,892 |
| Cash Flows From Capital and Related Financing Activities | | |
| Principal Payments on Long-Term Debt, Leases and Subscriptions | (67,052,121) | (73,351,463) |
| Interest Payments on Long-Term Debt, Leases and Subscriptions | (48,124,067) | (47,962,607) |
| Cash Defeasance to Net Escrow Account | - | (85,691,219) |
| Cash Defeasance Costs | - | (47,250) |
| Proceeds from Water Pollution Control Loans | 77,512,630 | 154,740,626 |
| Proceeds on Sale of Capital Assets | 46,501 | 71,014 |
| Acquisition and Construction of Capital Assets | (179,683,695) | (187,793,408) |
| Net Cash Used by Capital and Related Financing Activities | (217,300,752) | (240,034,307) |
| Net Increase in Cash | 12,583,155 | 6,922,627 |
| Cash at Beginning of Year | 8,269,385 | 1,346,758 |
| Cash at End of Year | \$ 20,852,540 | \$ 8,269,385 |

Continued

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Cash Flow (Continued)

For the Years Ended December 31, 2023 and 2022

| | 2023 | Restated 2022 |
|---|----------------|------------------|
| Reconciliation of Operating Income to Cash Provided By Operating Activities: | | |
| Operating Income | \$ 201,878,536 | \$ 229,013,123 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 93,631,020 | 89,855,111 |
| Allowance for Doubtful Accounts | 677,000 | 428,000 |
| Stormwater Community Cost Share Disbursement | (11,778,041) | (5,296,322) |
| Member Community Infrastructure Program Disbursement | (7,358,999) | (6,978,698) |
| Green Infrastructure Program Disbursement | (2,113,331) | (634,937) |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (8,478,634) | (3,305,513) |
| Deferred Outflows of Resources - Pension | (27,445,234) | (5,440,061) |
| Deferred Inflows of Resources - Pension | (37,094,688) | 15,254,062 |
| Deferred Outflows of Resources - OPEB | (6,589,012) | 3,277,067 |
| Deferred Inflows of Resources - OPEB | (11,031,243) | (9,037,060) |
| Net Pension Asset | 803,703 | (453,859) |
| Net OPEB Asset | 11,092,801 | (4,288,165) |
| Net Pension Liability | 66,921,051 | (24,114,596) |
| Net OPEB Liability | 2,184,876 | - |
| Inventory and Prepaid Expenses | (94,709) | (151,896) |
| Lease Receivable | 25,411 | (14,764) |
| Accounts Payable and Other Accrued Liabilities | 7,733,162 | 4,423,184 |
| Total Adjustments | 71,085,133 | 53,521,553 |
| Net Cash Provided by Operating Activities | \$ 272,963,669 | \$ 282,534,676 |
| Supplemental Schedule of Non-Cash Investing, Capital and Relating Financing Activities | | |
| Long-Term Debt Increased (Decreased) for Receivables from State Agencies in Connection with Water Pollution Control Loans | \$ 878,799 | \$ (34,138,400) |
| Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans | \$ 3,057,345 | \$ 3,026,721 |
| Capital Assets Increased due to Capitalized Costs, Recorded Accounts Payable and Asset Reclassifications | \$ 1,166,301 | \$ 3,377,237 |
| Increase (Decrease) in Fair Value of Investments, Net | \$ 4,942,718 | \$ (2,561,068) |
| Amortization of Deferred Charge on Bond Refunding | \$ 2,276,328 | \$ 2,295,035 |
| Amortization of Bond Premium and Discount | \$ (2,681,673) | \$ (3,422,995) |
| Acquisition of Right-to-Use Asset from SBITAs | \$ 750,795 | \$ 7,328,227 |
| Acquisition of Right-to-Use Asset from Leases | \$ - | \$ (300,407) |

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 1: Reporting Entity

The Northeast Ohio Regional Sewer District (the “Sewer District”), a political subdivision of the State of Ohio, was created by Order of the Cuyahoga County Court of Common Pleas and commenced operations on July 18, 1972, under statutory provisions of the Ohio Revised Code. The Sewer District provides wastewater treatment and interceptor sewer facilities for the region comprised of the City of Cleveland and 62 suburban communities.

The Sewer District is governed by its Board of Trustees (the “Board”). The Board consists of seven members, each of whom serves a five-year term and who are appointed as follows: (i) two by the Mayor of the City of Cleveland (subdistrict one); (ii) two by a council of governments (the “Suburban Council”) comprised of representatives of all the suburban communities served by the System (subdistrict two); (iii) one by the Cuyahoga County Council; (iv) one by the appointing authority of the subdistrict with the greatest sewage flow (currently the Mayor of the City of Cleveland); and (v) one by the appointing authority of the subdistrict with the greatest population (currently the Suburban Council). Accordingly, the Mayor of the City of Cleveland and the Suburban Council each currently appoint three members of the Board.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the Sewer District. Under the criteria specified in these GASB Statements, the Sewer District has no component units nor is it considered a component unit of the State of Ohio. The Sewer District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Sewer District is not financially accountable for any other organizations. This is evidenced by the fact that the Sewer District is a legally and fiscally separate and distinct organization. The annual budget is submitted to Cuyahoga County for informational purposes only and does not require its approval. The Sewer District is solely responsible for its finances. The Sewer District is empowered to issue revenue bonds payable solely from sewer charge revenues.

Component units are legally separate organizations for which the Sewer District is financially accountable. The Sewer District is financially accountable for an organization if it appoints a voting majority of the organization’s governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization’s resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Sewer District has no component units.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The statements were prepared using the economic resources measurement focus and the accrual basis of accounting. All transactions are accounted for in a single proprietary (enterprise) fund.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Sewer District's accounting policies are described below.

Basis of Presentation

The Sewer District's basic financial statements consist of statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flow.

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

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Sewer District are included on the statements of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statements of cash flows provide information about how the Sewer District finances meet the cash flow needs of its enterprise activity.

Basis of Accounting

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

Revenue is recorded on the accrual basis when the exchange takes place. Contribution revenue is primarily recognized on a cost-reimbursement basis or in accordance with the terms of grant agreements. Expenses are recognized at the time they are incurred.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Cash Equivalents and Investments

The Sewer District's policy is to treat all of its short-term, highly liquid investments as investments, and not as cash equivalents.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost plus accrued interest.

State Treasury Asset Reserve of Ohio ("STAR Ohio"), is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but the Sewer District has adopted GASB, Statement No.79, *Certain External Investment Pools and Pool Participants*. The Sewer District measures their investment in STAR Ohio at amortized cost.

For the year ended December 31, 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Short-Term Investments

Short-term investments consist of the obligations of Federal agencies, U.S. Treasury Bills and Notes, City of Cincinnati, State of Texas and California Bonds, STAR Ohio, Huntington contractors' escrow and Dreyfuss Cash management.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash

The carrying value approximates fair value due to the short maturity of this financial instrument. During 2023, the Sewer District moved Stormwater cash and Stormwater community cost-share cash to short term-investments as those funds reside in STAR Ohio. This change is reflected as of December 31, 2022.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Investments

The carrying value of the Sewer District's investments in U.S. Treasury Securities, City of Cincinnati, State of Texas and California Bonds, and obligations of Federal Agencies is fair value in accordance with the application of GASB Statement No. 31. The Sewer District's negotiable certificates of deposit are measured at fair value.

Long-Term Debt

The fair value of the Sewer District's long-term debt is estimated based on the borrowing rates currently available to the Sewer District for loans with comparable maturities. The estimated fair value of the Sewer District's long-term debt, net of the current portion, at December 31, 2023 was \$1,779,300,800. The estimated fair value of the Sewer District's long-term debt, net of the current portion, at December 31, 2022 was \$1,730,959,435.

Long-Term Investments and Restricted Accounts

In conjunction with the issuance of its revenue bonds, the Sewer District maintains funds in the following special accounts:

Long-Term Investments

At December 31, 2023 and 2022, these funds consisted of U.S. Treasury Securities, City of Cincinnati, State of Texas and California Bonds, and obligations of Federal agencies. They may be used to finance construction expenditures approved by the Board. Under certain circumstances, the funds may be used for repayment of principal and interest costs on the 2010 Series Wastewater Improvement Revenue Bonds, the 2013 Series Wastewater Improvement Revenue Bonds, the 2014 Series Wastewater Improvement Revenue Bonds, the 2016 Series Wastewater Improvement Revenue Refunding Bonds, the 2017 Series Wastewater Improvement Revenue Refunding Bonds, the 2019 Series Wastewater Improvement Revenue Refunding Bonds, the 2020 Series Wastewater Improvement Revenue Refunding Bonds and the 2021 Series Wastewater Improvement Revenue Refunding Bonds.

Revenue Bond Debt Service Deposit

These amounts represent advance deposits made to the Sewer District's bond trustee for principal and interest payments on revenue bonds. Investments at December 31, 2023 and 2022 consisted of direct obligations of the United States Government and money market funds plus accrued interest.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Sewage and Stormwater Service Fees Receivable

Sewage and stormwater service fees receivable are shown net of an allowance for uncollectible. The allowance is based on aged accounts receivable, historical collection rates, economic trends, and current year operating revenues. The allowance amounts are \$25,241,000 and \$25,918,000 at December 31, 2023 and 2022, respectively.

Inventory

Inventory consists of materials and supplies not yet placed into service that are valued at weighted average cost. The cost of inventory items is recognized as an expense when used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. sewer lines and similar items) are reported on the statements of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Northeast Ohio Regional Sewer District maintains a capitalization threshold of \$25,000. Major renewals and betterments are capitalized; the costs of normal improvements and repairs that do not add to the value of the assets or materially extend an asset's life are expensed as incurred. All reported capital assets except for land and construction in progress are depreciated. Major renewals and betterments are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--|------------------------|
| Interceptor Sewer Lines | Primarily 75 years |
| Buildings, Structures and Improvements and Equipment | Primarily 40 years |
| Sewage Treatment and Other Equipment | 5 to 20 years |
| Right to Use-Intangible | 30 years |

The Sewer District is reporting intangible right to use assets related to leased equipment, information technology subscription-based arrangements and improvements. These intangible assets are amortized in a systematic and rational manner over the shorter of the lease and subscription term or the useful life of the underlying asset.

Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the effective-interest method. Unamortized bond premiums are presented as an increase of the carrying amount of the bonds payable reported on the statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Bond Discounts

Bond discounts are amortized over the term of the bonds using effective-interest method. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statements of net position.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report 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 Sewer District, deferred inflows of resources include changes in net pension, net OPEB obligations, and leases. Deferred inflows of resources related to pensions and OPEB are explained in Notes 8 and 9, respectively. The deferred inflow for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

Deferred Outflows of Resources

In addition to assets, the statements of net 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 Sewer District, deferred outflows of resources are reported on the statements of net position as deferred charge on bond refunding, future pension, other postemployment benefit (OPEB) obligations, and unamortized asset retirement obligation (ARO) cost. The deferred outflows of resources related to pension and OPEB plans are explained, respectively, in Note 8 and Note 9. On the Sewer District financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective-interest method and is presented as deferred outflows of resources on the statements of net position.

Pension/OPEB Liability (Asset)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value. Additional details on the pension/OPEB systems are provided in Notes 8 and 9, respectively.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Capital Contributions

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

Net Position

In the Sewer District financial statements, net position is categorized into four categories. The first is net investment in capital assets, net of accumulated depreciation and amortization, reduced by the outstanding debt incurred to acquire, construct, or improve those assets, the SBITA and lease liabilities associated with the right to use assets, excluding unexpended bond proceeds, committed or unrestricted. This category represents net investment in property, plant, equipment, and infrastructure. The second category is restricted by requirements of revenue bonds, other externally imposed constraints, or by legislation, in excess of the related liabilities payable from restricted assets.

This category represents Stormwater cash that is Board-restricted for the Community Cost-Share Program. The third category is the restricted portion of net position related to net pension asset associated with pension/OPEB plans. The fourth category is the unrestricted portion of net position, which consists of all assets that do not meet the definition of either of the other three categories of net position. The Sewer District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Sewer District's Board adopted a reserve policy in July 2009 that annually designates amounts of the Sewer District's unrestricted net position as Board-designated for specific purposes. Such amounts are not restricted and may be designated for other purposes or eliminated at the discretion of the Board. A summary of reserve amounts that have been designated by the Board at December 31, 2023 and 2022 follows:

| | 2023 | 2022 |
|--|---------------|---------------|
| General Operating Reserve | \$ 35,123,894 | \$ 33,538,116 |
| Equipment Repair and Replacement Reserve | 64,101,985 | 60,693,013 |
| Insurance Reserve | 16,763,532 | 16,946,317 |
| Rate Stabilization Account | 18,000,000 | 18,000,000 |
| Capital Project Account | 449,601,594 | 384,346,088 |

During 2023, the General Operating Reserve increased by \$1,585,778 due to the increase in the operating budget compared to 2022. The Equipment Repair and Replacement Reserve increased \$3,408,972 due an increase in interest revenue. The Insurance Reserve had a net decrease of \$182,785 due to insurance premiums and claims paid more than the interest earned. The Rate Stabilization account stayed the same compared to 2022. The Capital Project account increased by \$65,255,506 due to Ohio Water Development Authority (OWDA) loan receipts via the Water Pollution Control Loan Fund (WPCLF) in excess of project expenditures and transfers to the operating account.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Net Position (continued)

During 2022, the General Operating Reserve increased by \$110,566 due to the increase in the operating budget compared to 2021. The Equipment Repair and Replacement Reserve increased \$1,128,901 due to interest revenue. The Insurance Reserve had a net decrease of \$1,014,255 due to insurance premiums and claims paid more than the interest earned. The Rate Stabilization account stayed the same compared to 2021. The Capital Project account increased by \$60,391,732 due to increases in Ohio Water Development Authority (OWDA) loan receipts via the Water Pollution Control Loan Fund (WPCLF) in excess of project expenditures and transfers from the operating account.

Revenues and Expenses

Operating revenues and expenses result from providing wastewater conveyance and treatment and stormwater services. Operating revenues consist of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating revenues are shown net of bad debt expense of \$4,982,721 in 2023 and \$4,253,582 in 2022. Operating expenses include the cost of these sewer and stormwater services, including administrative expenses and depreciation on capital assets.

Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues and expenses include revenues and expenses from investing activities, capital and related financing activities, non-capital financing activities and community contributions.

Sewage service fees are billed to users of the system on a cycle basis based primarily upon water usage. Estimates for services provided between the ends of various cycles and the end of the year are recorded as unbilled revenue. Included in sewage service fees receivable at December 31, 2023 and 2022 are unbilled sewage service fees of \$24,596,449 and \$23,938,718, respectively. Included in stormwater service fees receivable at December 31, 2023 and 2022 are unbilled stormwater service fees of \$2,166,090 and \$2,188,352, respectively.

On July 15, 2021, the Board approved rate increases scheduled for the years 2022 through 2026 after completing a five-year rate study. As part of the Sewer District's Rate Study, a demand analysis was performed to forecast the usage based on patterns of growth/decline. In this study, the Sewer District used recent trends in demands, population, change in households, employment projects, impact of water conservation and price elasticity. Effective January 1, 2023, rates charged to the Sewer District customers increased to \$115.60 per mcf for City of Cleveland and suburban customers. Also, effective January 1, 2023, the fixed fee was increased to \$10.50 per month for regular customers and \$6.30 per month for Homestead/Affordability customers.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Interest Expense

It is the Sewer District's intention that all expenses, including interest incurred in connection with financing the construction of new facilities, be recovered on a current basis. The annual budget process is governed by a number of factors, including the 2010 Wastewater Improvement Revenue Bond Resolution, the 2013 Wastewater Improvement Revenue Bond Resolution, the 2014 Wastewater Improvement Revenue Bond Resolution, the 2016 Wastewater Improvements Revenue Refunding Bond Resolution, the 2017 Wastewater Improvements Revenue Refunding Bond Resolution, the 2019 Wastewater Improvements Revenue Refunding Bond Resolution, the 2020 Wastewater Improvements Revenue Refunding Bond Resolution, and the 2021 Wastewater Improvements Revenue Refunding Bond Resolution which requires that the current year "net revenues" be at least 115.0% of its debt service requirements.

As the Sewer District does not intend that interest costs be recovered from subsequent years' revenue, it has excluded interest as an allowable cost for future rate-making purposes. Therefore, all interest is expensed but is included as non-operating on the statements of revenues, expenses and changes in net position as incurred. For the years ended December 31, 2023 and 2022, \$1,153 and \$3,583, respectively, is recorded in lease interest expense and included in non-operating expenses. During 2023, the Sewer District implemented GASB 96, "Subscription-Based Information Technology Arrangements", because of which, the Sewer District recognized \$74,069 in interest expense for the year ended December 31, 2023, and \$96,093 for the year ended December 31, 2022. Please refer to Notes 12 and 13 for details.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because the amounts have not yet been earned. The Sewer District recognizes unearned revenue for grants received before time requirements are met, despite meeting all other eligibility requirements, and are recognized as unearned revenue until the point in time when all requirements are met.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation. This reclassification did not impact net position totals.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Sewer District Administration and that are either unusual in nature or infrequent in occurrence. The Sewer District had no extraordinary or special items during the years ended December 31, 2023, and 2022.

Accounting Policy - Lessee

With the exception of short-term leases, when the Sewer District is a lessee in noncancellable lease arrangements the Sewer District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Sewer District recognizes lease liabilities with an initial, individual value of \$25,000 or more. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract.

At the commencement of a lease, the Sewer District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Sewer District determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Sewer District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Sewer District generally uses the US Revenue AA+ Muni BVAL yield Curve as the discount rate for leases as it approximates the Sewer District's incremental borrowing rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and purchase option price that the Sewer District is reasonably certain to exercise.

Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statements of net position. The Sewer District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Accounting Policy – Lessor

With the exception of short-term leases, when the Sewer District is a lessor in noncancellable lease arrangements the Sewer District recognizes a lease receivable and a deferred inflow of resources in the financial statements. For short-term leases, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 12 for details of the Sewer District's leasing arrangements. At the commencement of a lease, the Sewer District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Sewer District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Sewer District generally uses the US Revenue AA+ Muni BVAL yield Curve as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Sewer District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Accounting Policy – Subscription-Based Information Technology Arrangements

At the commencement of the subscription term, a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability should be recognized. The commencement of the subscription term begins when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term, such as fixed payments, variable payments that are fixed in substance, incentives, penalties for terminating the SBITA, etc. Future subscription payments will be discounted using the interest rate the SBITA vendor charges if available, otherwise, will be discounted using the US Revenue AA+ Muni BVAL yield Curve as it approximates the Sewer District's incremental borrowing rate. The Sewer District reports lessee SBITAs current expense in the Statements of Revenues, Expenses and Changes in Fund Net Position using the economic resources (accrual) basis of accounting. The subscription asset should be initially measured including initial subscription liability amount, payments made to the vendor before commencement of the subscription term, implementation costs that can be capitalized, excluding any incentive received from SBITA vendor at or before commencement of the subscription term.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 2: Summary of Significant Accounting Policies (continued)

Accounting Policy – Subscription-Based Information Technology Arrangements (continued)

The Sewer District capitalizes individual SBITAs that are considered material, or groups of arrangements that are material when aggregated. Right-to-use assets – SBITAs are amortized over the shorter of the subscription term or the useful life of the underlying IT assets. Annual SBITA agreements with no extension options are treated as short-term and expensed as incurred.

The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Amortization of the subscription asset should be recognized as an outflow of resources—amortization expense. The Sewer District’s criteria for SBITA capitalization includes post implementation annual subscription costs of \$25,000 present value or more are capitalized and amortized over the life of the SBITA agreement including possible extensions. Negotiated multi-year price guarantees (typically with annual price increases) are treated as options to extend since the Sewer District procurement cycle for SBITAs is 1-5 years.

Note 3: New Accounting Pronouncements and Change in Accounting Policies

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this standard had no effect on the Sewer District’s financial statements or note disclosures.

GASB Statement No. 99, *Omnibus 2022*, was issued in April of 2022. The primary objective is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement have varying effective dates but begin with reporting periods beginning after June 15, 2022. Implementation of this standard had no material effect on the Sewer District’s financial statements or note disclosures.

During 2023, the Sewer District implemented GASB Statement No. 96, “*Subscription-Based Information Technology Arrangements*”. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 3: New Accounting Pronouncements and Change in Accounting Policies (continued)

The implementation of this standard required the Sewer District to evaluate all agreements that could be classified as SBITAs. This required the Sewer District to recalculate the associated assets and liabilities as of January 1, 2022. There was no impact to net position as of January 1, 2022.

For year ending December 31, 2022, this implementation had the following impact:

| | Amounts |
|--|------------------|
| Net Position at December 31, 2022, as previously reported | \$ 2,030,202,907 |
| Adjustments to 2022: | |
| Reduction in Prepaids for Subscription Payments | (776,919) |
| Subscription Assets added, Net | 5,775,374 |
| Subscription Liabilities | (5,120,953) |
| Interest Payable added as Accounts Payable and Accrued Liabilities | (18,545) |
| Net Change to Ending Net Position | (141,043) |
| Restated Ending Net Position December 31, 2022 | \$ 2,030,061,864 |
| | |
| Change in Net Position as Previously Reported, December 31, 2022 | \$ 169,349,852 |
| Adjustments during 2022: | |
| Operating Expense: Other | 1,507,904 |
| Operating Expense: Depreciation/Amortization | (1,552,853) |
| Non-Operating Expense: SBITA Interest Expense | (96,094) |
| Net Change to Ending Net Position | (141,043) |
| Restated Change in Net Position, at December 31, 2022 | \$ 169,208,809 |

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, was issued in June of 2022. The primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, was issued in June of 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 3: New Accounting Pronouncements and Change in Accounting Policies (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December of 2023. The objective of this Statement is for governments to assess whether a concentration or a constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

The Sewer District has not yet determined the impact that these Statements will have on its financial statements and disclosures.

Note 4: Deposits and Investments

Deposits

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. At December 31, 2023, the carrying amount of the Sewer District's deposits was \$20,852,540 and the bank balance was \$24,022,294. Of the bank balance, \$250,000 was covered by Federal depository insurance and \$23,772,294 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). At December 31, 2022, the carrying amount of the Sewer District's deposits was \$8,269,385 and the bank balance was \$22,725,732. Of the bank balance, \$250,000 was covered by Federal depository insurance and \$22,475,732 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). The Sewer District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by: eligible securities pledged to the Sewer District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or Participating in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. The OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 4: Deposits and Investments

Investments

The Sewer District's investment policies are currently governed by its Series 2010, 2013, 2014, 2016, 2017, 2019, 2020 and 2021 Wastewater Improvement Revenue Bond Resolution (the "Resolution") as permitted by State statute. The Resolution allows the Sewer District to purchase certain instruments, including obligations of the U.S. Treasury, its agencies and instrumentalities, interest-bearing demand or time deposits, repurchase agreements and, in certain situations, pre-refunded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed one year and must be collateralized by obligations of the U.S. Government or its agencies which are held by a third-party custodian. The investments included in the Revenue Bond Debt Service Deposit are governed by the provisions of a trust agreement which provides for interest and principal payments on the 2010, 2013, 2014, 2016, 2017, 2019, 2020 and 2021 Series Bonds.

At December 31, 2023, the Sewer District's investment balances and maturities were as follows:

| Investment Type | Fair Value | % of Total | Maturities (in years) | |
|---------------------------------------|-----------------------|------------|-----------------------|----------------------|
| | | | Less than 1 | 1 through 5 |
| U.S. Treasury Notes | \$ 177,137,513 | 28% | \$ 136,283,383 | \$ 40,854,130 |
| State Treasury Asset Reserve | 341,851,675 | 54% | 341,851,675 | - |
| Federal National Mortgage Association | 4,759,890 | 1% | - | 4,759,890 |
| U. S. Treasury Bills | 17,458,774 | 3% | 17,458,774 | - |
| Federal Home Loan Bank | 30,285,478 | 5% | - | 30,285,478 |
| City and State Bonds | 9,477,611 | 1% | - | 9,477,611 |
| Federal Farm Credit Bank | 53,571,539 | 8% | 33,603,547 | 19,967,992 |
| Huntington Contractor Escrow | 1,571,320 | 0% | 1,571,320 | - |
| Dreyfus Cash Management | 16,261 | 0% | 16,261 | - |
| Total | \$ 636,130,061 | | \$ 530,784,960 | \$105,345,101 |

At December 31, 2022, the Sewer District's investment balances and maturities were as follows:

| Investment Type | Fair Value | % of Total | Maturities (in years) | |
|--|-----------------------|------------|-----------------------|----------------------|
| | | | Less than 1 | 1 through 5 |
| U.S. Treasury Notes | \$ 198,119,384 | 35% | \$ 146,290,747 | \$ 51,828,637 |
| State Treasury Asset Reserve | 318,587,882 | 56% | 318,587,882 | - |
| Federal National Mortgage Association | 14,406,331 | 3% | 9,806,642 | 4,599,689 |
| Federal Home Loan Mortgage Corporation | 9,162,336 | 2% | 9,162,336 | - |
| Federal Home Loan Bank | 10,045,835 | 2% | 10,045,835 | - |
| State Bonds | 5,039,176 | 1% | 2,018,820 | 3,020,356 |
| Federal Farm Credit Bank | 7,933,861 | 1% | - | 7,933,861 |
| Huntington Contractor Escrow | 1,658,689 | 0% | 1,658,689 | - |
| Dreyfus Cash Management | 35,387 | 0% | 35,387 | - |
| Total | \$ 564,988,881 | | \$ 497,606,338 | \$ 67,382,543 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 4: Deposits and Investments (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Sewer District's policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Sewer District portfolio is not more than two years. In addition, Ohio law prescribes that all Sewer District investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Sewer District.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Sewer District's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest-bearing demand or time deposits, STAR Ohio, money market mutual funds, repurchase agreements, and in certain situations, pre-funded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed one year and must be collateralized by obligations of the U.S. Government or its agencies which are held by a third-party custodian. STAR Ohio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio. As of December 31, 2023, the Sewer District's investment in U.S. instrumentalities consisted of U.S. Treasury notes and bills, Federal National Mortgage Association, Federal Home Loan Bank, City of Cincinnati, State of Texas and California Bonds, and Federal Farm Credit Bank. As of December 31, 2022, the Sewer District's investment in U.S. instrumentalities consisted of, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, State of Texas and California Bonds and Federal Farm Credit Bank. For both years, these investments were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in U.S. Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The Investments in STAR Ohio and Bank of New York were rated Aam by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Sewer District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Sewer District to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. At December 31, 2023, the Sewer District's investment in U.S. agencies with fair values totaling \$88,616,907 has maturities of \$33,603,547 in less than one year and \$55,013,360 within five years. U.S. agencies are held in the accounts of Huntington Bank and PNC National Bank (Trustees), at the Federal Reserve Bank of Cleveland. At December 31, 2022, the Sewer District's investment in U.S. agencies with fair values totaling \$41,548,363 has maturities of \$29,014,813 in less than one year and \$12,533,550 within five years. U.S. agencies are held in the accounts of Huntington Bank and PNC National Bank (Trustees), at the Federal Reserve Bank of Cleveland. At December 31, 2023 and 2022, the Sewer District's securities associated with the principal and interest payment of bond obligations in the amounts of \$11,180,997 and \$10,149,547, respectively, are held in the account of Bank of New York under the Master Trust Agreement. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 4: Deposits and Investments (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Sewer District’s investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer but does not identify specific limits on the amounts that may be invested. As of December 31, 2023, more than five percent of the Sewer District’s investments are in Federal Farm Credit Bank, U.S. Treasury Notes and Star Ohio. As of December 31, 2022, more than five percent of the Sewer District’s investments were in U.S. Treasury Notes and Star Ohio.

Note 5: Transactions with the City of Cleveland

As required by the court order establishing the Sewer District, the Sewer District and the City of Cleveland (the “City”) entered into agreements which provide for the City, as the Sewer District’s agent, to invoice, collect, and account for sewer and stormwater charges to most District users. The remaining Sewer District’s users are invoiced directly by the Sewer District or by other billing agents.

Table below includes a summary of sewer and stormwater billing and collection transactions between the City and the Sewer District for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|----------------|----------------|
| Amounts due from the Sewer District customers at beginning of year for invoices rendered by the City | \$ 149,520,550 | \$ 148,404,517 |
| Amounts billed to the Sewer District customers by the City during the year | 416,177,013 | 402,218,341 |
| Cash collected from the Sewer District customers by the City and remitted to the Sewer District during the year | (397,004,142) | (386,724,157) |
| Write off of inactive accounts | (5,659,721) | (4,545,292) |
| Cash collected directly by the Sewer District on invoices rendered by the City and other adjustment | (9,483,521) | (9,832,859) |
| Balance due from customers at end of year, included in service fees receivable before allowance for doubtful accounts | \$ 153,550,179 | \$ 149,520,550 |

Service fees billed by the City are considered delinquent 23 days after the date of the bill. The fees are considered in arrears when they remain unpaid beyond 90 days from the date billed. The Sewer District may certify to the Cuyahoga County Fiscal Office any delinquent accounts billed by the City. Such certification will result in the delinquent amounts being placed on the real property tax duplicate for collection as taxes. Failure to pay the property tax and District fees will result in a lien on such property.

Fees paid to the City for billing and collection services in 2023 and 2022 were \$9,617,136 and \$9,072,499, respectively; of which, \$794,798 for 2023 and \$749,289 for 2022 are included in accounts payable on the Sewer District’s statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 6: Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2023 was as follows:

| | Balance December 31, 2022 | Additions | Retirements | Transfers | Balance December 31, 2023 |
|--|---------------------------------|----------------------|-----------------------|---------------------|---------------------------------|
| Non-depreciable Capital Assets: | | | | | |
| Land | \$ 48,856,132 | \$ - | \$ - | \$ 26,351,651 | \$ 75,207,783 |
| Construction in Progress | 482,768,901 | 177,235,948 | - | (53,884,803) | 606,120,046 |
| Total Non-depreciable Capital Assets | <u>531,625,033</u> | <u>177,235,948</u> | <u>-</u> | <u>(27,533,152)</u> | <u>681,327,829</u> |
| Depreciable Capital Assets: | | | | | |
| Interceptor Sewer Lines | 2,127,036,058 | 30,119 | - | 14,757,094 | 2,141,823,271 |
| Buildings, Structures and Improvements and Equipment | 1,265,722,088 | 154,730 | (5,440,901) | 11,306,250 | 1,271,742,167 |
| Sewage Treatment and Other Equipment | 684,614,683 | 3,343,635 | (8,474,159) | 1,462,657 | 680,946,816 |
| Right to Use-Intangible (*) | 12,677,810 | - | - | 7,151 | 12,684,961 |
| Right to Use-Intangible Leased Asset (**) | 447,688 | - | - | - | 447,688 |
| Right to Use- SBITA Asset (***) | 7,328,227 | 836,359 | - | - | 8,164,586 |
| Total Depreciable Capital Assets | <u>4,097,826,554</u> | <u>4,364,843</u> | <u>(13,915,060)</u> | <u>27,533,152</u> | <u>4,115,809,489</u> |
| Total Historical Cost | <u>4,629,451,587</u> | <u>181,600,791</u> | <u>(13,915,060)</u> | <u>-</u> | <u>4,797,137,318</u> |
| Less Accumulated Depreciation For: | | | | | |
| Interceptor Sewer Lines | (409,218,832) | (30,361,955) | - | - | (439,580,787) |
| Buildings, Structures and Improvements and Equipment | (620,631,850) | (30,658,784) | 2,842,643 | - | (648,447,991) |
| Sewage Treatment and Other Equipment | (334,441,368) | (29,991,299) | 7,227,396 | - | (357,205,271) |
| Right to Use-Intangible (*) | (2,062,921) | (423,043) | - | - | (2,485,964) |
| Right to Use-Intangible Leased Asset (**) | (135,300) | (97,692) | - | - | (232,992) |
| Right to Use-Intangible SBITA Asset (***) | (1,552,853) | (2,098,247) | - | - | (3,651,100) |
| Total Accumulated Depreciation | <u>(1,368,043,124)</u> | <u>(93,631,020)</u> | <u>10,070,039</u> | <u>-</u> | <u>(1,451,604,105)</u> |
| Capital Assets, Net | <u>\$ 3,261,408,463</u> | <u>\$ 87,969,771</u> | <u>\$ (3,845,021)</u> | <u>\$ -</u> | <u>\$ 3,345,533,213</u> |
| Depreciation Expense Charged to Operating Expenses | | \$ 91,435,081 | | | |
| Amortization Expense, Leases | | 97,692 | | | |
| Amortization Expense, SBITA Assets | | 2,098,247 | | | |
| | | <u>\$ 93,631,020</u> | | | |

(*) During 2021, the Sewer District acquired an intangible asset due to an agreement with FirstEnergy. Per this agreement, the Sewer District has the right to use the power provided from the FirstEnergy substation at the Sewer District's Southerly Plant, which was constructed by the Sewer District, but is owned by FirstEnergy. The construction of the substation was completed in 2021 and capitalized. The asset's original cost basis is \$7,179,387 as of December 31, 2023, and 2022. Below is a schedule of the amounts to be expensed in future years:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 6: Capital Assets and Depreciation (continued)

| Year Ending December 31, | Amortization Amount |
|--------------------------|---------------------|
| 2024 | \$ 239,821 |
| 2025 | 239,821 |
| 2026 | 239,821 |
| 2027 | 239,821 |
| 2028 | 239,821 |
| 2029-2033 | 1,199,106 |
| 2034-2038 | 1,199,106 |
| 2039-2043 | 1,199,106 |
| 2044-2048 | 1,199,106 |
| 2049-2051 | 719,463 |
| | \$ 6,714,992 |

(*) During 2012, the Sewer District acquired an intangible asset due to an agreement with the City of Cleveland Department of Public Utilities Division of Cleveland Public Power. Per this agreement, the Sewer District has the right to use the power provided from the Nine Mile Creek substation, which was constructed by the Sewer District, but is owned by the City. The construction of the substation was completed in 2012 and capitalized; there were minor subsequent costs in the following years. The asset's original cost basis is \$5,505,574 as of December 31, 2023 and 2022. Below is a schedule of the amounts to be expensed in future years:

| Year Ending December 31, | Amortization of Intangible Asset |
|--------------------------|-------------------------------------|
| 2024 | \$ 183,369 |
| 2025 | 183,369 |
| 2026 | 183,369 |
| 2027 | 183,369 |
| 2028 | 183,369 |
| 2029-2033 | 916,843 |
| 2034-2038 | 916,843 |
| 2039-2042 | 733,474 |
| | \$ 3,484,005 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 6: Capital Assets and Depreciation (continued)

Capital asset activity for the year ended December 31, 2022 was as follows:

| | December 31, 2021 | Additions | Retirements | Transfers | December 31, 2022 |
|---|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|
| Non-depreciable Capital Assets: | | | | | |
| Land | \$ 44,447,718 | \$ - | \$ - | \$ 4,408,414 | \$ 48,856,132 |
| Construction in Progress | 434,724,867 | 184,811,653 | - | (136,767,619) | 482,768,901 |
| Total Non-depreciable Capital Assets | <u>479,172,585</u> | <u>184,811,653</u> | <u>-</u> | <u>(132,359,205)</u> | <u>531,625,033</u> |
| Depreciable Capital Assets: | | | | | |
| Interceptor Sewer Lines | 2,098,279,956 | 433,941 | (94,920) | 28,417,081 | 2,127,036,058 |
| Buildings, Structures and Improvements and Equipment | 1,191,559,402 | 829,974 | (1,363,005) | 74,695,717 | 1,265,722,088 |
| Sewage Treatment and Other Equipment | 668,380,280 | 5,465,026 | (17,986,286) | 28,755,663 | 684,614,683 |
| Right to Use-Intangible (*) | 12,187,066 | - | - | 490,744 | 12,677,810 |
| Right to Use-Intangible Leased Asset (**) | 360,929 | 300,407 | (213,648) | - | 447,688 |
| Right to Use-Intangible SBITA Asset (***) | - | 7,328,227 | - | - | 7,328,227 |
| Total Depreciable Capital Assets | <u>3,970,767,633</u> | <u>14,357,575</u> | <u>(19,657,859)</u> | <u>132,359,205</u> | <u>4,097,826,554</u> |
| Total Historical Cost | <u>4,449,940,218</u> | <u>199,169,228</u> | <u>(19,657,859)</u> | <u>-</u> | <u>4,629,451,587</u> |
| Less Accumulated Depreciation For: | | | | | |
| Interceptor Sewer Lines | (379,338,404) | (29,975,348) | 94,920 | - | (409,218,832) |
| Buildings, Structures and Improvements and Equipment | (592,949,256) | (28,892,226) | 1,209,632 | - | (620,631,850) |
| Sewage Treatment and Other Equipment | (322,838,561) | (28,840,849) | 17,238,042 | - | (334,441,368) |
| Right to Use-Intangible (*) | (1,654,832) | (408,089) | - | - | (2,062,921) |
| Right to Use-Intangible Leased Asset (**) | (83,388) | (154,854) | 102,942 | - | (135,300) |
| Right to Use-Intangible SBITA Asset (***) | - | (1,552,853) | - | - | (1,552,853) |
| Total Accumulated Depreciation | <u>(1,296,864,441)</u> | <u>(89,824,219)</u> | <u>18,645,536</u> | <u>-</u> | <u>(1,368,043,124)</u> |
| Capital Assets, Net | <u>\$ 3,153,075,777</u> | <u>\$ 109,345,009</u> | <u>\$ (1,012,323)</u> | <u>\$ -</u> | <u>\$ 3,261,408,463</u> |
| Depreciation Expense Charged to Operating Expenses | | | | | |
| | | \$ 88,116,512 | | | |
| Amortization Expense, Asset Retirement Obligation | | 30,892 | | | |
| Amortization Expense, Right to Use - Intangible Leased Asset (**) | | 154,854 | | | |
| Amortization Expense, Right to Use - Intangible SBITA Asset (***) | | 1,552,853 | | | |
| | | <u>\$ 89,855,111</u> | | | |

(***) During 2023, the Sewer District implemented GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”. As a result, the accompanying financial statements and MD&A information for the year ended December 31, 2022, have been restated. See Note 13 for details.

(**) During 2022, the Sewer District implemented GASB Statement No. 87, *Leases*. As a result, the accompanying financial statements and MD&A information for the year ended December 31, 2021, have been restated. See Note 12 for details.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 6: Capital Assets and Depreciation (continued)

Asset Retirement Obligation

During 2020, the Sewer District implemented GASB Statement No. 83, *Certain Asset Retirement Obligations* and accounted for AROs by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred once the assets are retired. The Statement required the AROs be adjusted for the effects of inflation or deflation at least annually. In addition to the AROs, the Sewer District has recorded associated deferred outflows of resources that are being amortized over the remaining useful life of the respective asset groups.

For certain tangible capital assets, including wastewater treatment plants, sewer interceptors, and others, a decommissioning plan is required as part of a surrender process at the asset's end of life. However, end of life might not be determinable for such assets and there is no foreseeable disposition, and the Sewer District plans to maintain them in perpetuity.

Ohio Revised Code Section 6111.44 requires the Sewer District to submit any changes to their sewage system to the Ohio EPA for approval. Through this review process, the Sewer District would be responsible to address any public safety issues associated with their wastewater treatment facilities. As discussed below, the Sewer District has recorded an ARO for certain buildings within their sewer plants in which their engineers could reasonably estimate an ARO at this time. However, due to limitations associated with the age and building materials within other facilities within their plants, management was not able to reasonably estimate a potential liability for their entire facility. The Sewer District's ARO estimate will be reviewed annually by their engineers and updated accordingly as additional information becomes available.

The following asset groups have been included in the ARO reflected on the statements of net position:

Southerly Building Demolitions – The Sewer District has identified eight (8) buildings at the Southerly wastewater treatment plant, primarily having 40-year original useful lives. The buildings have regulatory requirements to be met for hazardous materials and radiation scanning upon demolition. The methods and assumptions used to determine the liability associated with the buildings were based on a cost estimate prepared by an outside engineering firm in March 2021. The associated retirement costs are being amortized utilizing a straight-line method over the average estimated useful lives of the buildings. For the years ended December 31, 2023 and 2022, the average estimated useful lives range from three to five years. During 2023, the Sewer District's ARO estimate was reviewed by its engineers and was determined that the remaining ARO liability of \$79,950 should be removed from the books. At December 31, 2023 and 2022, the ARO related to the buildings was \$0 and \$79,950; respectively. At December 31, 2022, amortization for the ARO liability is included with depreciation and amortization expense in the statements of revenues, expenses and changes in net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations

A summary of long-term debt outstanding at December 31, 2023 and 2022 follows:

| | <u>Interest Rate</u> | <u>2023</u> | <u>2022</u> |
|--|----------------------|-------------------------|-------------------------|
| Wastewater Improvement Revenue, Bonds, Series 2010: | | | |
| Serial Bonds Maturing 2026 through 2040 | 5.44%-6.04% | \$ 85,210,000 | \$ 85,210,000 |
| Wastewater Improvement Revenue, Bonds, Series 2014: | | | |
| Serial Bonds Maturing 2017 through 2049 | 1.75%-5.00% | 3,885,000 | 7,590,000 |
| Wastewater Improvement Revenue, Refunding Bonds, Series 2016: | | | |
| Serial Bonds Maturing 2017 through 2036 | 3.00% | 21,075,000 | 21,265,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2017: | | | |
| Serial Bonds Maturing 2019 through 2043 | 3.00-5.00% | 238,010,000 | 239,195,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2019: | | | |
| Serial Bonds Maturing 2033 through 2040 | 3.00%-4.00% | 245,005,000 | 245,005,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2020: | | | |
| Serial Bonds Maturing 2020 through 2049 | 1.66%-3.30% | 204,225,000 | 205,920,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2021: | | | |
| Serial Bonds Maturing 2021 through 2046 | 0.21%-2.77% | 109,520,000 | 111,300,000 |
| Water Pollution Control Loans Payable Through 2062 | 0.00%-5.20% | <u>994,522,888</u> | <u>968,851,558</u> |
| Total Debt | | 1,901,452,888 | 1,884,336,558 |
| Less: Current Maturities | | (61,197,214) | (62,120,575) |
| Bond Premium, Net | | <u>23,816,034</u> | <u>26,497,707</u> |
| Total Long-Term Debt | | <u>\$ 1,864,071,708</u> | <u>\$ 1,848,713,690</u> |

Wastewater Improvement Revenue Bonds, Series 2010 “Build America Bonds”

On November 17, 2010, the Sewer District issued \$336,930,000 of Wastewater Improvement Revenue Bonds, Series 2010 (the “Series 2010 Bonds”) as Federally Taxable - “Build America Bonds” for purposes consistent with the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and to receive a cash subsidy from the United States Treasury in connection therewith (the “Direct Payment”). Pursuant to the Recovery Act, the Sewer District is entitled to receive Direct Payments rebating a portion of the interest on the Build America Bonds from the United States Treasury equal to 35.0% of the interest payable on the Series 2010 Bonds. The Series 2010 Bonds were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects, including without limitation, the financing of 24 months of capitalized interest and (ii) paying the costs of issuance of the Series 2010 Bonds. These bonds are payable from the revenues of the Sewer District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on the monies and investments in the Revenue Bond Debt Service Deposit.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Bonds, Series 2010 “Build America Bonds” (continued)

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2010 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2010 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service funds, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operation and maintenance charges have been paid.

Build America Bonds Subsidy

Under the Build America Bonds agreement, the Sewer District is to receive 35.0% of the Bond interest as the Build America Bonds Subsidy. The subsidy payment amounts received in 2023 and 2022 were \$1,541,215 and \$1,532,509, respectively, which is a reduction of \$80,587 and \$89,293, respectively, due to the recent sequester by Congress. The subsidy payment for 2023 has been reduced by 5.7% and as a result of refunding a portion of the 2010 “Build America Bonds” and all future subsidy payments have been reduced by 5.7% based on 2022 reductions. Future payments may also be reduced by Congress on an annual basis. Below is a schedule of the amounts expected to be received in future years:

| <u>Year Ending December 31,</u> | <u>Subsidy Amount</u> |
|---------------------------------|-----------------------|
| 2024 | \$ 1,529,359 |
| 2025 | 1,529,359 |
| 2026 | 1,529,359 |
| 2027 | 1,501,719 |
| 2028 | 1,113,860 |
| 2029-2032 | 2,980,644 |
| | <u>\$ 10,184,300</u> |

Wastewater Improvement Revenue Bonds, Series 2013

On March 26, 2013, the Sewer District issued \$249,535,000 of Wastewater Improvement Revenue Bonds, Series 2013. The Wastewater Improvement Revenue Bonds, Series 2013 Bonds (the “Series 2013 Bonds”) were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of Water Resource Projects and (ii) paying certain costs of issuance of the Series 2013 Bonds. These bonds are payable from the revenues of the Sewer District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Bonds, Series 2013 (continued)

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2013 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2013 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service funds, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operation and maintenance charges have been paid. These bonds were paid off as of December 31, 2022.

Wastewater Improvement Revenue (2014A) and Refunding (2014B) Bonds, Series 2014

On December 18, 2014, the Sewer District issued \$419,030,000 of Wastewater Improvement Revenue and Refunding Bonds, Series 2014. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds (the "Series 2014 Bonds") were comprised of \$350,570,000 (2014A) for new bonds and \$68,460,000 (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds (the "2007 Series Bonds") previously issued on May 22, 2007. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds were issued for the purpose of (i) providing funds for the acquisition, construction, and improvement of Water Resource Projects, (ii) paying certain costs of issuance of the Series 2014 Bonds and (iii) to refund a portion of 2007 Bonds.

These bonds are payable from the revenues of the Sewer District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2014 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2014 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service funds, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operation and maintenance charges have been paid.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2016

The Sewer District issued \$25,015,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2016 (the "2016 Series Bonds"), in connection with the advance refunding of its 2007 Series Bonds. The 2016 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2016 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2016 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

Wastewater Improvement Revenue Refunding Bonds, Series 2017

On September 20, 2017, the Sewer District issued \$241,595,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2017 (the "2017 Series Bonds"), in connection with the advance refunding of the 2013 Series Bonds. The 2017 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2017 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2017 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2019

On September 10, 2019, the Sewer District issued \$245,005,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2019 (the “2019 Series Bonds”), in connection with the advance refunding of the 2010 Series Bonds. The 2019 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2019 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2019 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

Wastewater Improvement Revenue Refunding Bonds, Series 2020

On February 5, 2020, the Sewer District issued \$244,895,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2020 (the “2020 Series Bonds”), in connection with the advance refunding of the 2014 Series Bonds. The 2020 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2020 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2020 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2021

On July 29, 2021, the Sewer District issued \$114,295,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2021 (the “2021 Series Bonds”), in connection with the advance refunding of the 2013 and 2014 Series Bonds. The 2021 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2021 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Trust Agreement or in the Series 2021 Bonds to the contrary notwithstanding.

The bond indenture requires, among other provisions, that the Sewer District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

Water Pollution Control Loans Fund

Title VI of the Clean Water Act, as amended, authorizes the Administrator of the U.S. Environmental Protection Agency to make Federal capitalization grants to states for deposit in state water pollution control revolving funds (SRFs). From these funds, states can provide loans and other types of financial assistance. In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. These loans are subordinate to the 2010, 2013, 2014, 2016, 2017, 2019, 2020 and 2021 Series Bonds and are payable from the revenues of the Sewer District, after payment of operating and maintenance costs and are secured by a pledge of and lien on such net revenues. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project.

The repayment period for each loan commences no later than the first January or July following the expected completion dates of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. The Sewer District is required to submit final eligible project costs within one year of the project completion date at which time the final loan amount is determined, and semi-annual payment amounts are adjusted to reflect such costs. The Sewer District had a SRF loan award related to a project which was not complete as of December 31, 2023. Loans related to completed construction projects are being repaid in semi-annual payments of principal and interest over a period of up to forty years. SRF loans outstanding by completion or expected completion year of the related projects as of December 31, 2023 follow:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Water Pollution Control Loans Fund (continued)

| Completion or Expected Completion Year of Projects | Number of Projects | Current Amount Including Accrued Construction Period Interest | Additional Available Borrowings Including Construction Period Interest |
|--|-----------------------|--|--|
| 1993-2022 | 39 | \$ 472,719,408 | \$ 29,112,731 |
| 2023-2024 | 32 | 521,803,480 | 158,105,603 |
| Total | | <u>\$ 994,522,888</u> | <u>\$ 187,218,334</u> |

Defeasance Transactions

In 2016, the Sewer District issued \$25,015,000 in Wastewater Improvement Revenue Refunding bonds, Series 2016 to advance refund and defease the Series 2007 Wastewater Improvement Refunding Bonds of \$23,700,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the series 2007 wastewater improvement bonds. As a result, that portion of the 2007 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$3,203,519. As of December 31, 2023 and 2022, \$21,075,000 and \$21,265,000, respectively, are the portion of refunding debt which remain outstanding. The Series 2016 Bonds are not subject to redemption at the option of the Sewer District prior to their stated maturity.

In 2017, the Sewer District issued \$241,595,000 in Wastewater Improvement Revenue Refunding bonds, Series 2017 to advance refund and defease the Series 2013 Wastewater Improvement Refunding Bonds of \$224,805,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the series 2013 wastewater improvement bonds. As a result, that portion of the 2013 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. On May 15, 2023, the defeased bonds were redeemed in full. This refunding resulted in debt service savings of \$26,288,317 over the next 26 years and an economic gain of \$18,047,901. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$16,984,749. The related amortization is being charged to interest expense on long-term debt through the year 2033 using the effective interest method.

As of December 31, 2023 and 2022, \$238,010,000 and \$239,195,000, respectively, are the portions of refunding debt remaining outstanding. The Series 2017 Bonds maturing before November 15, 2028, are not subject to optional redemption prior to maturity. The Series 2017 Bonds maturing on or after November 15, 2023 shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after May 15, 2023 from any moneys available therefor, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

In 2019, the Sewer District issued \$245,005,000 in Wastewater Improvement Revenue Refunding bonds, Series 2019 to advance refund and defease part of the Series 2010 Wastewater Improvement Refunding Bonds of \$251,720,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the series 2010 wastewater improvement bonds. As a result, that portion of the 2010 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. On November 15, 2020, the defeased bonds were redeemed in full. This refunding resulted in debt service savings of \$47,293,317 over the next 20 years and an economic gain of \$37,015,310. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$11,144,449. The related amortization is being charged to interest expense on long-term debt through the year 2040 using the effective interest method. As of December 31, 2023 and 2022, \$245,005,000 is the portion of refunding debt remaining outstanding. The Series 2019 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2029 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

In 2020, the Sewer District issued \$244,895,000 in Wastewater Improvement Revenue Refunding bonds, Series 2020 to advance refund and defease part of the Series 2014 Wastewater Improvement Refunding Bonds of \$208,720,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the series 2014 wastewater improvement bonds. As a result, that portion of the 2014 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. The defeased debt still outstanding at December 2023 and 2022 is \$208,720,000 and will be fully redeemed in November 2024.

This refunding resulted in debt service savings of \$43,545,400 over the next 30 years and an economic gain of \$28,519,686. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$16,374,751. The related amortization is being charged to interest expense on long-term debt through the year 2047 using the effective interest method. As of December 31, 2023 and 2022, \$204,225,000 and \$205,920,000, respectively, are the portions of refunding debt remaining outstanding. The Series 2020 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2029 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

In 2021, the Sewer District executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2049 maturity of the Series 2014 Wastewater Improvement Revenue and Refunding Bonds in the amount of \$27,420,000. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, that portion of the Series 2014 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2023 and 2022, \$27,420,000 of the refunded debt remained outstanding. The debt will be called in November 2024. The net present value benefit of this transaction is \$18,095,559 and will be used to offset future debt service funding obligations.

In 2021, the Sewer District issued \$114,295,000 in Wastewater Improvement Revenue Refunding bonds, Series 2021 to advance refund and defease part of the Series 2013 Wastewater Improvement Refunding Bonds of \$14,450,000 and Series 2014 Wastewater Improvement Refunding Bonds of \$86,255,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the Series 2013 and 2014 wastewater improvement refunding bonds. As a result, that portion of the 2013 and 2014 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This refunding resulted in debt service savings of \$12,899,299 over the next 26 years and an economic gain of \$9,777,060.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$4,825,045. The related amortization is being charged to interest expense on long-term debt through the year 2046 using the effective interest method. As of December 31, 2023 and 2022, \$86,255,000 and \$100,705,000, respectively, is the portion of refunded debt remaining outstanding. A portion of the refunded debt was called in May 2023 and the remaining will be called in November 2024. The Series 2021 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2030 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

On September 1, 2022, the Sewer District executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2047 and 2048 maturities of the Series 2014 Wastewater Improvement Revenue and Refunding Bonds in the amount of \$51,725,000 and to pay 2048 and 2049 maturities of the Series 2020 Wastewater Improvement Refunding Bonds in the amount of \$32,440,000 for a total defeased amount of \$84,165,000. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, that portion of the series 2014 and 2020 wastewater improvement bonds are considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2023 and 2022, \$84,165,000 of the refunded debt remained outstanding. The refunded debt will be called in November 2024 and November 2029. The net present value benefit of this transaction is \$81,153,615 and will be used to offset future debt service funding obligations.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

The Sewer District anticipates significant additional long-term debt borrowings for ongoing and future construction projects.

Future Debt Service Requirements

The total future debt service requirements for all long-term debt not defeased or refunded as of December 31, 2023 follows:

| | Wastewater Improvement Revenue Bonds Series 2010 | | Wastewater Improvement Revenue Bonds Series 2014 | |
|-----------|---|----------------------|---|-------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ - | \$ 3,107,604 | \$ 3,885,000 | \$ 155,400 |
| 2025 | - | 3,107,604 | - | - |
| 2026 | 1,540,000 | 3,107,604 | - | - |
| 2027 | 9,820,000 | 3,051,440 | - | - |
| 2028 | 11,790,000 | 2,693,305 | - | - |
| 2029-2033 | 62,060,000 | 6,056,567 | - | - |
| Total | <u>\$ 85,210,000</u> | <u>\$ 21,124,124</u> | <u>\$ 3,885,000</u> | <u>\$ 155,400</u> |

| | Wastewater Improvement Revenue Refunding Bonds Series 2016 | | Wastewater Improvement Revenue Refunding Bonds Series 2017 | |
|-----------|---|---------------------|---|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 195,000 | \$ 632,250 | \$ 2,280,000 | \$ 9,466,963 |
| 2025 | 200,000 | 626,400 | 3,830,000 | 9,352,963 |
| 2026 | 205,000 | 620,400 | 5,520,000 | 9,161,463 |
| 2027 | 210,000 | 614,250 | 5,795,000 | 8,885,462 |
| 2028 | 215,000 | 607,950 | 6,085,000 | 8,595,712 |
| 2029-2033 | 1,190,000 | 2,938,050 | 26,920,000 | 38,713,562 |
| 2034-2038 | 18,860,000 | 1,142,850 | 63,175,000 | 31,256,612 |
| 2039-2043 | - | - | 124,405,000 | 15,114,051 |
| Total | <u>\$ 21,075,000</u> | <u>\$ 7,182,150</u> | <u>\$ 238,010,000</u> | <u>\$ 130,546,788</u> |

| | Wastewater Improvement Revenue Refunding Bonds Series 2019 | | Wastewater Improvement Revenue Refunding Bonds Series 2020 | |
|-----------|---|-----------------------|---|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ - | \$ 7,958,700 | \$ 1,725,000 | \$ 6,188,161 |
| 2025 | - | 7,958,700 | 1,760,000 | 6,155,852 |
| 2026 | - | 7,958,700 | 1,795,000 | 6,120,247 |
| 2027 | - | 7,958,700 | 1,835,000 | 6,081,870 |
| 2028 | - | 7,958,700 | 1,875,000 | 6,040,252 |
| 2029-2033 | 22,505,000 | 39,793,500 | 37,890,000 | 28,344,002 |
| 2034-2038 | 146,890,000 | 27,723,950 | 27,140,000 | 23,882,615 |
| 2039-2043 | 75,610,000 | 3,418,650 | 52,820,000 | 18,350,210 |
| 2044-2048 | - | - | 77,385,000 | 5,514,620 |
| Total | <u>\$ 245,005,000</u> | <u>\$ 110,729,600</u> | <u>\$ 204,225,000</u> | <u>\$ 106,677,829</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

| | Wastewater Improvement Revenue Refunding Bonds Series 2021 | | Water Pollution Control Loans | |
|--------------|---|----------------------|----------------------------------|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 1,785,000 | \$ 2,259,703 | \$ 51,327,214 | \$ 16,382,773 |
| 2025 | 5,840,000 | 2,248,619 | 55,582,315 | 18,314,420 |
| 2026 | 7,605,000 | 2,200,380 | 56,570,012 | 17,473,127 |
| 2027 | 7,675,000 | 2,124,634 | 48,380,601 | 16,382,011 |
| 2028 | 7,765,000 | 2,031,537 | 44,503,451 | 15,452,641 |
| 2029-2033 | 23,880,000 | 8,829,294 | 212,115,445 | 63,719,242 |
| 2034-2038 | 4,965,000 | 7,103,707 | 168,490,130 | 44,087,488 |
| 2039-2043 | 1,485,000 | 6,842,877 | 128,608,438 | 31,185,603 |
| 2044-2048 | 48,520,000 | 3,354,643 | 106,191,736 | 21,028,478 |
| 2049-2053 | - | - | 90,758,882 | 11,356,742 |
| 2054-2057 | - | - | 31,994,664 | 4,341,949 |
| Total | \$ 109,520,000 | \$ 36,995,394 | \$ 994,522,888 | \$ 259,724,474 |

Future Debt Service Requirements Total

| | Principal | Interest |
|--------------|-------------------------|-----------------------|
| 2024 | \$ 61,197,214 | \$ 46,151,554 |
| 2025 | 67,212,315 | 47,764,558 |
| 2026 | 73,235,012 | 46,641,921 |
| 2027 | 73,715,601 | 45,098,367 |
| 2028 | 72,233,451 | 43,380,097 |
| 2029-2033 | 386,560,445 | 188,394,217 |
| 2034-2038 | 429,520,130 | 135,197,222 |
| 2039-2043 | 382,928,438 | 74,911,391 |
| 2044-2048 | 232,096,736 | 29,897,741 |
| 2049-2053 | 90,758,882 | 11,356,742 |
| 2054-2057 | 31,994,664 | 4,341,949 |
| Total | \$ 1,901,452,888 | \$ 673,135,759 |

At December 31, 2023, the Sewer District received partial proceeds in the amount of \$134,674,816 for a Water Pollution Control Loan. The loan will be repaid in semi-annual installments.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Bond premium and discount activity for 2023 is as follows:

| <u>December 31, 2023</u> | Beginning | | Refunded | Issued | Ending |
|----------------------------|----------------------|-----------------------|-------------|-------------|----------------------|
| | Balance | Amortized | | | Balance |
| Bond Premium, Series 2014 | \$ 211,308 | \$ (150,969) | \$ - | \$ - | \$ 60,339 |
| Bond Discount, Series 2016 | (13,535) | 1,403 | - | - | (12,132) |
| Bond Premium, Series 2017 | 11,700,852 | (1,147,255) | - | - | 10,553,597 |
| Bond Premium, Series 2019 | 14,599,082 | (1,384,852) | - | - | 13,214,230 |
| Total | \$ 26,497,707 | \$ (2,681,673) | \$ - | \$ - | \$ 23,816,034 |

Bond premium and discount activity for 2022 is as follows:

| <u>December 31, 2022</u> | Beginning | | Refunded | Issued | Ending |
|----------------------------|----------------------|-----------------------|-----------------------|-------------|----------------------|
| | Balance | Amortized | | | Balance |
| Bond Premium, Series 2013 | \$ 51,910 | \$ (51,910) | \$ - | \$ - | \$ - |
| Bond Premium, Series 2014 | 3,304,634 | (621,981) | (2,471,345) | - | 211,308 |
| Bond Discount, Series 2016 | (15,033) | 1,498 | - | - | (13,535) |
| Bond Premium, Series 2017 | 12,938,647 | (1,237,795) | - | - | 11,700,852 |
| Bond Premium, Series 2019 | 16,111,889 | (1,512,807) | - | - | 14,599,082 |
| Total | \$ 32,392,047 | \$ (3,422,995) | \$ (2,471,345) | \$ - | \$ 26,497,707 |

Long-term debt activity for the year is as follows:

| <u>December 31, 2023</u> | Beginning | Additions | Reductions | Ending | Amounts Due in 2024 |
|---|----------------------|-------------------|---------------------|----------------------|------------------------|
| | Balance (*) | | | Balance | |
| Wastewater Improvement Revenue Bonds, Series 2010 | \$ 85,210,000 | \$ - | \$ - | \$ 85,210,000 | \$ - |
| Wastewater Improvement Revenue Refunding Bonds, Series 2014 | 7,590,000 | - | (3,705,000) | 3,885,000 | 3,885,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2016 | 21,265,000 | - | (190,000) | 21,075,000 | 195,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2017 | 239,195,000 | - | (1,185,000) | 238,010,000 | 2,280,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2019 | 245,005,000 | - | - | 245,005,000 | - |
| Wastewater Improvement Revenue Refunding Bonds, Series 2020 | 205,920,000 | - | (1,695,000) | 204,225,000 | 1,725,000 |
| Wastewater Improvement Revenue Refunding Bonds, series 2021 | 111,300,000 | - | (1,780,000) | 109,520,000 | 1,785,000 |
| Water Pollution Control Loan Funds (WPCLF) | 968,851,558 | 81,448,774 | (55,777,444) | 994,522,888 | 51,327,214 |
| Total Bonds and WPCLF | 1,884,336,558 | 81,448,774 | (64,332,444) | 1,901,452,888 | 61,197,214 |

continued

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

Long-term debt activity for the current year is as follows (continued):

| <u>December 31, 2023</u> | Beginning Balance (*) | Additions | Reductions | Ending Balance | Amount Due in 2024 |
|---------------------------------------|--------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| Net Pension Liability - OPERS | \$ 28,718,385 | \$ 66,921,051 | \$ - | \$ 95,639,436 | \$ - |
| Long-Term Asset Retirement Obligation | 79,950 | - | (79,950) | - | - |
| Long-Term Lease Liability | 316,557 | - | (95,579) | 220,978 | 94,514 |
| Long-Term SBITA Liability (*) | 5,120,953 | 750,795 | (2,624,098) | 3,247,650 | 2,217,683 |
| Total | <u>\$ 1,918,572,403</u> | <u>\$ 149,120,620</u> | <u>\$ (67,132,071)</u> | <u>\$ 2,000,560,952</u> | <u>\$ 63,509,411</u> |

Long-term debt activity for the prior year is as follows:

| <u>December 31, 2022</u> | Beginning Balance (*) | Additions | Reductions | Ending Balance | Amount Due in 2023 |
|--|--------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Wastewater Improvement Revenue Bonds, Series 2010 | \$ 85,210,000 | \$ - | \$ - | \$ 85,210,000 | \$ - |
| Wastewater Improvement Revenue Bonds, Series 2013 | 1,915,000 | - | (1,915,000) | - | - |
| Wastewater Improvement Revenue Bonds, Series 2014 | 62,865,000 | - | (55,275,000) | 7,590,000 | 3,705,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2016 | 21,445,000 | - | (180,000) | 21,265,000 | 190,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2017 | 239,840,000 | - | (645,000) | 239,195,000 | 1,185,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2019 | 245,005,000 | - | - | 245,005,000 | - |
| Wastewater Improvement Revenue Refunding Bonds, Series 2020 | 240,025,000 | - | (34,105,000) | 205,920,000 | 1,695,000 |
| Wastewater Improvement Revenue Revenue Refunding Bonds, series 2021 | 113,070,000 | - | (1,770,000) | 111,300,000 | 1,780,000 |
| Water Pollution Control Loan Funds (WPCLF) | 906,309,873 | 123,628,947 | (61,087,262) | 968,851,558 | 53,565,575 |
| Total Bonds and WPCLF | <u>1,915,684,873</u> | <u>123,628,947</u> | <u>(154,977,262)</u> | <u>1,884,336,558</u> | <u>62,120,575</u> |
| Net Pension Liability - OPERS | 52,832,981 | - | (24,114,596) | 28,718,385 | - |
| Long-Term Asset Retirement Obligation | 100,830 | - | (20,880) | 79,950 | 25,450 |
| Long-Term Lease Liability | 278,531 | 369,952 | (331,926) | 316,557 | 95,579 |
| Long-Term SBITA Liability (*) | - | 7,328,227 | (2,207,274) | 5,120,953 | 2,387,569 |
| Total | <u>\$ 1,968,897,215</u> | <u>\$ 131,327,126</u> | <u>\$ (181,651,938)</u> | <u>\$ 1,918,572,403</u> | <u>\$ 64,629,173</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 7: Long-Term Obligations (continued)

(*) During 2023, the Sewer District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. See Notes 3 and 13 for details.

Note 8: Pension Plans

Net Pension/Other Postemployment Benefits (OPEB) Liability (Asset)

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

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Net Pension/Other Postemployment Benefits (OPEB) Liability (Asset) (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually required contribution outstanding at the end of the year is included as an accrued liability. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement systems comprised of three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit plan; the combined plan, a combination cost-sharing multiple-employer defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. While members (e.g., District employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on the traditional and combined pension plans.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report references above for additional information, including requirements for reduced and unreduced benefits):

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

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

| | | |
|---|---|---|
| <p>Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013</p> <p>State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit</p> <p>Traditional 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</p> | <p>Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013</p> <p>State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit</p> <p>Traditional 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</p> | <p>Group C Members not in other Groups and members hired on or after January 7, 2013</p> <p>State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p>Traditional 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</p> |
|---|---|---|

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

Once a benefit recipient retiring under the traditional plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the member’s base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

The combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. Effective January 1, 2022, members may no longer select this plan.

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

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%. Additionally, a death benefit of \$500 – \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined plan.

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both member-directed plan and combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit account (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2023 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to health care was 2% for 2023.

The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Sewer District's contractually required contribution for the traditional plan for 2023 and 2022 was \$7,803,390 and \$7,212,174, respectively. The contractually required contribution for the combined plan, net of postemployment health care benefits, for 2023 and 2022 were \$307,088 and \$336,862, respectively. Of these amounts, \$340,060 and \$147,836 were reported in the other accrued liabilities on balance sheet for 2023 and 2022, respectively.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS

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

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

Key methods and assumptions used in valuation of total pension liability/asset - 2022:

| | OPERS <u>Traditional Plan</u> | OPERS <u>Combined Plan</u> |
|---|--|--|
| Valuation date | December 31, 2022 | December 31, 2022 |
| Experience study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age | Individual entry age |
| Actuarial assumptions: | | |
| Investment rate of return | 6.90% | 6.90% |
| Wage inflation | 2.75% | 2.75% |
| Projected salary increases, including 2.75% wage inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 retirees | 3.00% Simple through 2023 then 2.05% Simple | 3.00% Simple through 2023 then 2.05% Simple |

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2020 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females).

Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

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 plan, the defined benefit component of the Combined plan and the annuitized accounts of the Member-Directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a loss of 12.1% for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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 real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>2022 Target Allocation</u> | <u>2022 Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u> |
|------------------------|---------------------------------------|---|
| Fixed income | 22.0% | 2.62% |
| Domestic equities | 22.0% | 4.60% |
| Real estate | 13.0% | 3.27% |
| Private equity | 15.0% | 7.53% |
| International equities | 21.0% | 5.51% |
| Risk Parity | 2.0% | 4.37% |
| Other investments | 5.0% | 3.27% |
| Total | <u>100.0%</u> | |

Discount Rate The discount rate used to measure the total pension liability for measurement year 2022 was 6.9%. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

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

The Sewer District's proportionate share of net pension liability (asset) at December 31, 2023:

| | 1% Decrease (5.9%) | Discount Rate (6.9%) | 1% Increase (7.9%) |
|---|-----------------------|-------------------------|-----------------------|
| Sewer District's proportionate share of the net pension liability – traditional | \$ 143,264,685 | \$ 95,639,436 | \$ 56,023,776 |
| Sewer District's proportionate share of the net pension asset – combined | \$ (669,682) | \$ (1,283,232) | \$ (1,769,485) |

Assumption Changes Since the Prior Measurement Investment rate of return remained at 6.90%. Wage inflation remained at 2.75%.

Key Methods and Assumptions Used in Valuation of Total Pension Liability – 2021

| <u>Actuarial Information</u> | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> |
|---|--|--|
| Valuation date | December 31, 2021 | December 31, 2021 |
| Experience study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual Entry Age | Individual Entry Age |
| Actuarial assumptions: | | |
| Investment rate of return | 6.90% | 6.90% |
| Wage inflation | 2.75% | 2.75% |
| Projected salary increases, including 3.25% wage inflation | 2.75-10.75% | 2.75-8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 retirees | 3.00% Simple through 2022 then 2.05% Simple | 3.00% Simple through 2022 then 2.05% Simple |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2020, and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously 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 long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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 real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. The table below displays the Board-approved asset allocation policy and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>2021 Target Allocation</u> | <u>2021 Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u> |
|---------------------------|--|--|
| Fixed income | 24.0% | 1.03% |
| Domestic equities | 21.0% | 3.78% |
| Real estate | 11.0% | 3.66% |
| Private equity | 12.0% | 7.43% |
| International equities | 23.0% | 4.88% |
| Risky Parity | 5.0% | 2.92% |
| Other investments | <u>4.0%</u> | <u>2.85%</u> |
| Total | <u>100.0%</u> | <u>4.21%</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability for measurement year 2021 was 6.9%. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sewer District’s proportionate share of net pension (asset) at December 31, 2022:

| | 1% Decrease (5.9%) | Discount Rate (6.9%) | 1% Increase (7.9%) |
|---|-----------------------|-------------------------|-----------------------|
| Sewer District’s proportionate share of the net pension liability – traditional | \$ 75,717,281 | \$ 28,718,385 | \$ (10,390,950) |
| Sewer District’s proportionate share of the net pension asset – combined | \$ (1,557,233) | \$ (2,086,935) | \$ (2,500,047) |

Assumption Changes Since the Prior Measurement Investment rate of return decreased from 7.20% to 6.90%. Wage inflation decreased from 3.25% to 2.75%.

Net Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS as of December 31, 2023 and 2022, was measured as of December 31, 2022 and 2021, respectively. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Sewer District’s proportion of the net pension liability (asset) was based on the Sewer District’s share of contributions to the pension plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of pension expense for the current and prior year. The related deferred outflows and deferred inflows of resources associated with the pension liability (asset) are presented below.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

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

2023 net pension assets and liabilities:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|--|------------------------------|---------------------------|---------------|
| Proportion of the net pension liability/asset prior measurement date | 0.330081% | 0.529671% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.323762%</u> | <u>0.544457%</u> | |
| Change in Proportionate Share | (0.006319%) | 0.014786% | |
| Proportionate share of the net pension asset | \$ - | \$ 1,283,232 | \$ 1,283,232 |
| Proportionate share of the net pension liability | \$ 95,639,436 | \$ - | \$ 95,639,436 |
| Pension expense | \$ 11,120,376 | \$ 174,933 | \$ 11,295,309 |

2022 net pension assets and liabilities:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|--|------------------------------|---------------------------|----------------|
| Proportion of the net pension liability/asset prior measurement date | 0.356791% | 0.565736% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.330081%</u> | <u>0.529671%</u> | |
| Change in Proportionate Share | (0.02670%) | (0.036065%) | |
| Proportionate share of the net pension asset | \$ - | \$ 2,086,935 | \$ 2,086,935 |
| Proportionate share of the net pension liability | \$ 28,718,385 | \$ - | \$ 28,718,385 |
| Pension expense (income) | \$ (7,144,780) | \$ (60,638) | \$ (7,205,418) |

At December 31, 2023, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

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

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|----------------------|
| Deferred outflow of resources | | | |
| Sewer District contributions subsequent to the measurement date | \$ 7,803,390 | \$ 307,088 | \$ 8,110,478 |
| Differences in employer contributions and change in proportionate share | - | 119,468 | 119,468 |
| Differences between projected and actual Earnings on pension plan investments | 27,260,244 | 467,662 | 27,727,906 |
| Difference between expected and actual experience | 3,176,741 | 78,892 | 3,255,633 |
| Change in assumptions | <u>1,010,363</u> | <u>84,956</u> | <u>1,095,319</u> |
| Total deferred outflow of resources | \$ <u>39,250,738</u> | \$ <u>1,058,066</u> | \$ <u>40,308,804</u> |

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|---------------------|
| Deferred inflow of resources | | | |
| Differences in employer contributions and change in proportionate share | \$ 1,501,908 | \$ 50,410 | \$ 1,552,318 |
| Difference between expected and actual experience | - | <u>183,357</u> | <u>183,357</u> |
| Total deferred inflow of resources | \$ <u>1,501,908</u> | \$ <u>233,767</u> | \$ <u>1,735,675</u> |

The \$8,110,478 reported as deferred outflows of resources related to pension resulting from the Sewer District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---------------------------------|------------------------------|---------------------------|----------------------|
| Fiscal Year Ending December 31: | | | |
| 2024 | \$ 2,381,317 | \$ 29,393 | \$ 2,410,710 |
| 2025 | 6,186,136 | 96,458 | 6,282,594 |
| 2026 | 8,024,017 | 133,335 | 8,157,352 |
| 2027 | 13,353,970 | 218,060 | 13,572,030 |
| 2028 | - | 12,313 | 12,313 |
| Thereafter | - | <u>27,652</u> | <u>27,652</u> |
| | \$ <u>29,945,440</u> | \$ <u>517,211</u> | \$ <u>30,462,651</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 8: Pension Plans (continued)

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

At December 31, 2022, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|----------------------|
| Deferred outflow of resources | | | |
| Sewer District contributions subsequent to the measurement date | \$ 7,212,174 | \$ 336,862 | \$ 7,549,036 |
| Differences in employer contributions and change in proportionate share | - | 141,489 | 141,489 |
| Difference between expected and actual experience | 1,464,021 | 12,946 | 1,476,967 |
| Change in assumptions | <u>3,591,204</u> | <u>104,874</u> | <u>3,696,078</u> |
| Total deferred outflow of resources | \$ <u>12,267,399</u> | \$ <u>596,171</u> | \$ <u>12,863,570</u> |

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|----------------------|
| Deferred inflow of resources | | | |
| Differences in employer contributions and change in proportionate share | \$ 3,333,297 | \$ 26,907 | \$ 3,360,204 |
| Differences between projected and actual earnings on pension plan investments | 629,865 | 447,406 | 1,077,271 |
| Difference between expected and actual experience | <u>34,159,472</u> | <u>233,416</u> | <u>34,392,888</u> |
| Total deferred inflow of resources | \$ <u>38,122,634</u> | \$ <u>707,729</u> | \$ <u>38,830,363</u> |

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions

Plan Description - Ohio Public Employees Retirement System

Plan Description – OPERS administers three separate pension plans: the traditional pension plan, a defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022, the combined plan is no longer available for member selection. While members (e.g., Sewer District employees) may elect the member-directed plan, substantially all employee members are in OPERS’ traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Plan Description - Ohio Public Employees Retirement System (continued)

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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans.

Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue 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 an HRA 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. These changes are reflected in the December 31, 2021, measurement date health care valuation.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Plan Description - Ohio Public Employees Retirement System (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority allowing 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 and 2022, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan was 0% during fiscal year 2023. For the combined plan, the portion of the employer contributions allocated to health care was 2% from July 1, 2022 through December 31, 2023 and 0% from January 1 through June 30, 2022. The portion of employer contributions allocated to health care for members in the member-directed plan was 4% during fiscal year 2023 and 2022. 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Plan Description - Ohio Public Employees Retirement System (continued)

Funding Policy (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Sewer District's contractually required contributions to OPERS health care plans was \$287,144 and \$267,471 for 2023 and 2022, respectively.

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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key methods and assumptions used in valuation of total OPEB asset - 2022:

| | <u>Assumptions</u> |
|---|---------------------------------------|
| Valuation date | December 31, 2021 |
| Rolled-forward measurement date | December 31, 2022 |
| Experience study | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age normal |
| Projected salary increases, including 2.75% wage inflation | 2.75 to 10.75% |
| Investment rate of return | 6.00% |
| Municipal bond rate | 4.05% |
| Single discount rate of return | 5.22% |
| Health care cost trend | Initial 5.5% to 3.5% ultimate in 2036 |

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NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

The total OPEB liability for the measurement period December 31, 2021 was determined using the following actuarial assumptions that follow:

| | <u>Assumptions</u> |
|---|---------------------------------------|
| Valuation date | December 31, 2020 |
| Rolled-forward measurement date | December 31, 2021 |
| Experience study | 5-year period ended December 31, 2020 |
| Actuarial cost method | Individual entry age normal |
| Projected salary increases, including 2.75% wage inflation | 2.75 to 10.75% |
| Investment rate of return | 6.00% |
| Municipal bond rate | 1.84% |
| Single discount rate of return | 6.00% |
| Health care cost trend | Initial 5.5% to 3.5% ultimate in 2034 |

For 2022 and 2021, 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 previously 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.

During 2022 and 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022 and a gain of 14.3% for 2021.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The best estimates of arithmetic rates of return were provided by OPERS investment consultant.

The table below displays the System's Board-approved asset allocation policy and the long-term expected rate of return for each major asset class.

| <u>Asset Class</u> | 2022 Target Allocation | 2022 Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|-------------------------------|---------------------------------------|---|
| Fixed income | 34.0% | 2.56% |
| Domestic equities | 26.0% | 4.60% |
| Real estate investment trusts | 7.0% | 4.70% |
| International equities | 25.0% | 5.51% |
| Risk parity | 2.0% | 4.37% |
| Other investments | <u>6.0%</u> | 1.84% |
| Total | <u>100.0%</u> | |

| <u>Asset Class</u> | 2021 Target Allocation | 2021 Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|-------------------------------|---------------------------------------|---|
| Fixed income | 34.0% | 0.91% |
| Domestic equities | 25.0% | 3.78% |
| Real estate investment trusts | 7.0% | 3.71% |
| International equities | 25.0% | 4.88% |
| Risk parity | 2.0% | 2.92% |
| Other investments | <u>7.0%</u> | <u>1.93%</u> |
| Total | <u>100.0%</u> | <u>3.45%</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

Discount rate Single discount rates of 5.22% and 6.90% were used to measure the OPEB liability on the measurement date of December 31, 2022 and December 31, 2021, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% 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 the year 2054. As a result, the 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.

Sensitivity of the Sewer District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the Sewer District's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.22%, as well as what the Sewer District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower (4.22%) or one percentage point higher (6.22%) than the current rate as of December 31, 2023:

| | 1% Decrease (4.22%) | Discount Rate (5.22%) | 1% Increase (6.22%) |
|--|------------------------|--------------------------|------------------------|
| Sewer District's proportionate share of the net OPEB Liability (Asset) | \$ 7,436,319 | \$ 2,184,876 | \$ (2,148,424) |

The following table presents the Sewer District's proportionate share of the net OPEB (asset) liability calculated using the single discount rate of 6.0%, and the expected net OPEB (asset) liability if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for December 31, 2022.

| | 1% Decrease (5.0%) | Discount Rate (6.0%) | 1% Increase (7.0%) |
|--|-----------------------|-------------------------|-----------------------|
| Sewer District's proportionate share of the net OPEB Asset | \$ (6,523,609) | \$ (11,092,801) | \$ (14,885,303) |

Sensitivity of the Sewer District's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset).

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

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 the health care; the trend starting in 2023 is 5.5%. 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 the health care 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 3.5% in the most recent valuation.

The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate for December 31, 2023.

| | <u>1% Decrease</u> | Health Care Cost Current <u>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| Sewer District's proportionate share of the net OPEB Liability | \$ 2,047,933 | \$ 2,184,876 | \$ 2,339,010 |

The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate for December 31, 2022.

| | <u>1% Decrease</u> | Health Care Cost Current <u>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| Sewer District's proportionate share of the net OPEB Asset | \$ (11,212,674) | \$ (11,092,801) | \$ (10,950,596) |

Assumption Changes Since the Prior Measurement Date Municipal bond rate changed from 1.84% to 4.05%. The health care cost trend rate changed from 5.5% initial, 3.5%, ultimate in 2034 to 5.5% initial, 3.5% ultimate in 2036.

Changes between Measurement Date and Reporting Date During 2023, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2023. The effects of these changes are unknown.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

OPEB Liability (Asset), Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS

The net OPEB liability for OPERS as of December 31, 2023, was measured as of December 31, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Sewer District’s proportion of the net OPEB liability was based on the Sewer District’s share of contributions to the OPEB plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of OPEB expense for the current and prior years. The related deferred outflows and deferred inflows of resources associated with the OPEB liability are presented below.

Sewer District’s proportionate share of net OPEB liability at December 31, 2023:

| | OPERS |
|---|------------------|
| Proportion of the net OPEB liability prior measurement date | 0.354159% |
| Proportion of the net OPEB liability current measurement date | <u>0.346520%</u> |
| Change in proportionate share | (0.007639%) |
| Proportionate share of the net OPEB Liability | \$ 2,184,876 |
| OPEB expense | \$ (4,055,437) |

At December 31, 2023, the District reported deferred outflow and inflow of resources related to the net OPEB asset from OPERS OPEB plan, based on December 31, 2022 measurement, as indicated in the table below:

| | OPERS |
|---|---------------------|
| Deferred outflow of resources | |
| Change in assumptions | \$ 2,134,017 |
| Difference between projected and actual earnings on plan investments | 4,339,236 |
| Differences in employer contributions and change in proportionate share | 96,086 |
| Payment Subsequent to measurement date | <u>287,144</u> |
| Total deferred outflow of resources | \$ <u>6,856,483</u> |
| Deferred inflow of resources | |
| Difference between expected and actual experience | \$ 544,993 |
| Change in assumptions | 175,594 |
| Differences in employer contributions and change in proportionate share | <u>138,304</u> |
| Total deferred inflow of resources | \$ <u>858,891</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

OPEB Liability (Asset), Deferred Outflows, Deferred Inflows and OPEB Expense - OPERS (continued)

The \$287,144 reported as deferred outflows of resources related to OPEB resulting from the Sewer District's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB 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:

| | Total |
|---------------------------------|---------------------|
| Fiscal year ending December 31: | |
| 2024 | \$ 637,961 |
| 2025 | 1,609,523 |
| 2026 | 1,366,753 |
| 2027 | <u>2,096,211</u> |
| | <u>\$ 5,710,448</u> |

Sewer District's proportionate share of net OPEB liability at December 31, 2022:

| | OPERS |
|---|------------------|
| Proportion of the net OPEB liability prior measurement date | 0.381944% |
| Proportion of the net OPEB liability current measurement date | <u>0.354159%</u> |
| Change in proportionate share | (0.027785%) |
| Proportionate share of the net OPEB Asset | \$ 11,092,801 |
| OPEB expense | \$ (9,780,689) |

At December 31, 2022, the Sewer District reported deferred outflow and inflow of resources related to the net OPEB asset from OPERS OPEB plan, based on December 31, 2021 measurement, as indicated in the table below:

| | OPERS |
|---|----------------------|
| Deferred outflow of resources | |
| Contributions subsequent to the measurement date | \$ <u>267,471</u> |
| Total deferred outflow of resources | \$ <u>267,471</u> |
| Deferred inflow of resources | |
| Difference between expected and actual experience | \$ 1,682,609 |
| Change in assumptions | 4,490,241 |
| Difference between projected and actual earnings on plan investments | 5,288,266 |
| Differences in employer contributions and change in proportionate share | <u>429,018</u> |
| Total deferred inflow of resources | \$ <u>11,890,134</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 10: Deferred Compensation Plans

Under a deferred compensation program, the Sewer District offers two plans created in accordance with Internal Revenue Code Section 457 (IRC 457). Eligible employees of the Sewer District may elect to participate in either the Voya or the Ohio Public Employees Deferred Compensation Plan, collectively, the “Plans.” Employees may also elect to participate in both plans. The Plans allow employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen financial emergency, as defined in IRC 457.

The Sewer District follows the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. In accordance with the provisions of GASB Statement No. 97, at December 31, 2023 and 2022, the assets of both plans met the applicable trust requirements and are therefore excluded from the Sewer District’s financial statements.

Note 11: Risk Management

The Sewer District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Sewer District maintains an insurance reserve to account for and finance its uninsured risks of property damage. The Sewer District is self-insured for workers’ compensation and purchases commercial insurance for other specific types of coverage. There were no significant reductions in insurance coverage from the prior year. Claim settlements and judgments not covered by commercial insurance and the insurance reserve are covered by operating resources. The amount of settlements did not exceed insurance coverage for each of the past three years.

Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

The change in the estimate for workers’ compensation claims is as follows:

| | Beginning Balance | Claims Paid | Increase in Estimate | Ending Balance |
|------|----------------------|-------------|-------------------------|----------------|
| 2023 | \$ 83,727 | \$ (23,122) | \$ 28,385 | \$ 88,990 |
| 2022 | \$ 105,393 | \$ (36,356) | \$ 14,690 | \$ 83,727 |

Estimated liabilities are not material with respect to the financial position of the Sewer District. The claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2023 is estimated to be paid during the year ending December 31, 2024. The Sewer District’s insurance reserves as of December 31, 2023 and 2022 were \$16,763,532 and \$16,946,317; respectively, and are included in short-term investments on the Sewer District’s statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 11: Risk Management (continued)

Employee Health Benefits

The Sewer District manages the hospital/medical, dental, vision, prescription and hearing insurance benefits for its employees on a self-insured basis using an accrued liability account that is included in the other accrued liabilities in the accompanying statements of net position. A third-party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$210,000 per claim, per year.

The claims liabilities of \$905,000 and \$976,022 reported at December 31, 2023 and 2022, respectively, were estimated by reviewing current claims and is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. The health claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2023 is estimated to be paid during the year ending December 31, 2024. The balance as of December 31, 2022 is estimated to be paid during the year ending December 31, 2023.

Changes in the claims liability amounts in 2023 and 2022 were as follows:

| | <u>Beginning of Year</u> | <u>Current year Claims</u> | <u>Claims Payment</u> | <u>End of Year</u> |
|------|------------------------------|--------------------------------|-----------------------|--------------------|
| 2023 | \$ 976,022 | \$10,993,894 | \$ (11,064,916) | \$ 905,000 |
| 2022 | \$ 775,442 | \$10,668,379 | \$ (10,467,799) | \$ 976,022 |

Note 12: Lease Arrangements

Lessee

The Sewer District is a lessee in noncancelable lease agreements for parking spots and copier equipment. The present value of future minimum lease payments as of December 31, 2023 and 2022, is recorded as lease liability in the financial statements.

The following is a summary of right-to-use lease asset activity for the year ended December 31, 2023:

| <u>Lease Description</u> | <u>Role</u> | <u>Classification</u> | <u>Net Asset Balance</u> | <u>Accumulated Amortization</u> | <u>Gross Asset Balance</u> |
|--------------------------------|-------------|-----------------------|------------------------------|-------------------------------------|--------------------------------|
| Prospect Avenue Parking Spaces | Lessee | Land | \$ 34,457 | \$ 112,824 | \$ 147,281 |
| Copiers | Lessee | Computer Equipment | 180,239 | 120,168 | 300,407 |
| Total | | | <u>\$ 214,696</u> | <u>\$ 232,992</u> | <u>\$ 447,688</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 12: Lease Arrangements (continued)

Lessee (continued)

The following is a summary of right-to-use lease asset activity for the year ended December 31, 2022:

| Lease Description | Role | Classification | Net Asset Balance | Accumulated Amortization | Gross Asset Balance |
|--------------------------------|--------|--------------------|----------------------|-----------------------------|------------------------|
| Prospect Avenue Parking Spaces | Lessee | Land | \$ 72,065 | \$ 75,216 | \$ 147,281 |
| Copiers | Lessee | Computer Equipment | 240,323 | 60,084 | 300,407 |
| Land Total | | | <u>\$ 312,388</u> | <u>\$ 135,300</u> | <u>\$ 447,688</u> |

See below for further information regarding the outstanding lease agreements.

The George Group Corp.

In 2014, the Sewer District entered into a five-year lease agreement with The George Group Corp. for 50 parking spaces located at 4190 Prospect Avenue in Cleveland. The lease was amended in 2019 and extended through 2024. Monthly rent of \$3,150 is due by the first day of every calendar month. Expected future minimum payments under this agreement are as follows:

| Year Ending December 31, | Principal | Interest | Expected Minimum Payment |
|--------------------------|-----------|----------|-----------------------------|
| 2024 | \$ 34,604 | \$ 46 | \$ 34,650 |

Meritech Inc.

In 2022, the Sewer District entered into a five-year lease agreement with Meritech Inc. for copiers. Monthly rent of \$4,954 is due by the first day of every calendar month. Starting in 2024, the monthly rent increases to \$5,085. The portion of monthly rent that is attributable to copies and supplies is subject to a 10% increase per year if Meritech experiences an increase in costs. It is reasonably certain this 10% increase will continue each year through the end of the lease term. Expected future minimum payments under this agreement are as follows:

| Year Ending December 31, | Principal | Interest | Expected Minimum Payment |
|--------------------------|-------------------|-----------------|-----------------------------|
| 2024 | \$ 59,910 | \$ 1,107 | \$ 61,017 |
| 2025 | 62,067 | 678 | 62,745 |
| 2026 | 64,397 | 249 | 64,646 |
| | <u>\$ 186,374</u> | <u>\$ 2,034</u> | <u>\$ 188,408</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 12: Lease Arrangements (continued)

Lessee (continued)

Priemer Investments Co., LLC

In 2020, the Sewer District entered into a five-year lease agreement with Priemer Investments Co., LLC for 50 parking spaces at East 40th and Euclid Avenue in Cleveland. Monthly rent was due by the first day of every calendar month and increased over the course of the lease term as follows: \$3,790 from January 2021 through August 2022, \$3,840 from September 2022 through August 2024, and \$3,940 from September 2024 through the end of the lease term. The Sewer District paid an early termination fee of \$15,210 to end the lease early as of November 30, 2022. Accordingly, there are no expected future minimum payments under this agreement.

Lessor

The Sewer District is a lessor in a noncancelable lease agreement for a cellular tower. With certain exclusions, the present value of future minimum lease payments as of December 31, 2023 and 2022, is recorded as lease receivable in the financial statements.

For lease agreements which are included in the balance of lease receivable, lease revenue – base represents revenue recognized on a straight-line basis over the applicable term of the agreement. Variable payments above the base amount are not included in the measurement of the lease receivable.

See below for further information regarding this lease agreement.

Crown Castle GT Company LLC

In 1990, the Sewer District entered into a twenty-year lease agreement with Crown Castle GT Company LLC for the rental of the cellular tower located at 6000 Canal Road in Cuyahoga Heights. In 2006, the lease was amended and extended an additional ten years. Then, in April 2020, the lease was amended and extended through 2040. The base annual rent of \$30,900 is due to the Sewer District by May 1st of each lease year. Commencing on May 1, 2020, and every year thereafter, the annual rent increases by an amount equal to 3% of the annual rent in effect for the year immediately preceding the adjustment date. Expected future minimum payments under this agreement are as follows:

| Year Ending December 31, | Principal | Interest | Expected Minimum Payment |
|-----------------------------|-------------------|------------------|-----------------------------|
| 2024 | \$ 26,455 | \$ 9,367 | \$ 35,822 |
| 2025 | 27,891 | 9,005 | 36,896 |
| 2026 | 29,380 | 8,623 | 38,003 |
| 2027 | 30,922 | 8,222 | 39,144 |
| 2028 | 32,519 | 7,799 | 40,318 |
| 2029-2033 | 188,619 | 31,855 | 220,474 |
| 2034-2038 | 237,939 | 17,651 | 255,590 |
| 2039-2040 | 110,993 | 2,300 | 113,293 |
| | <u>\$ 684,718</u> | <u>\$ 94,822</u> | <u>\$ 779,540</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 13: Subscription-Based Information Technology Arrangements

The Sewer District has entered into various subscription-based information technology arrangements (SBITAs). As of December 31, 2023 and 2022, the Sewer District had 22 and 19, respectively, qualifying SBITAs under GASB 96 in which it is acting as Lessee. GASB 96 was implemented effective January 1, 2022.

The Sewer District has entered into agreements for subscriptions at varying years and terms as follows:

| <u>SBITA Description</u> | <u>SBITA End Date</u> | <u>Payment Method</u> |
|------------------------------|-----------------------|-----------------------|
| SBITA - Adobe | 12/19/2026 | Annually |
| SBITA - AuditBond | 7/15/2025 | Annually |
| SBITA - Avaya | 2/1/2026 | Annually |
| SBITA - B2GNow | 5/17/2027 | Annually |
| SBITA - Boomi | 7/15/2025 | Annually |
| SBITA - Cherwell Software | 6/21/2024 | Annually |
| SBITA - EHS Insight | 7/22/2024 | Annually |
| SBITA - GIS | 9/30/2025 | Annually |
| SBITA - Kahua | 11/30/2028 | Annually |
| SBITA - Microsoft Office 365 | 6/30/2028 | Annually |
| SBITA - MobileIron | 9/26/2025 | Annually |
| SBITA - NEXGEN | 6/30/2025 | Annually |
| SBITA - OAC | 7/15/2024 | Quarterly |
| SBITA - OnBase | 10/31/2027 | Annually |
| SBITA - OneLogin | 11/9/2024 | Annually |
| SBITA - OPBCS | 6/6/2025 | Quarterly |
| SBITA - Primavera | 12/9/2025 | Quarterly |
| SBITA - Salesforce | 8/22/2025 | Annually |
| SBITA - SIEM | 4/30/2025 | Monthly |
| SBITA - Talend | 3/31/2027 | Annually |
| SBITA - UKG | 7/1/2025 | Quarterly |
| SBITA - UEM | 12/26/2027 | Annually |

The schedule of the future minimum payments required under subscriptions and the present value of the minimum subscription payments as of December 31, 2023, is presented below:

| <u>Year Ending</u> <u>December 31:</u> | <u>Subscriptions</u> | | |
|---|----------------------|------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | \$ 2,217,683 | \$ 8,879 | \$ 2,226,562 |
| 2025 | 959,799 | 3,719 | 963,518 |
| 2026 | 70,168 | 1,422 | 71,590 |
| Total | <u>\$ 3,247,650</u> | <u>\$ 14,020</u> | <u>\$ 3,261,670</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 14: Commitments and Contingencies

Combined Sewer Overflows Long-Term Control Plan

The Combined Sewer Overflow (CSO) Consent Decree between the Sewer District and US EPA, US DOJ, Ohio EPA, and the Ohio Attorney General, entered on July 7, 2011, requires the Sewer District to spend \$3 Billion (in 2009 dollars) to reduce combined CSO into Lake Erie over a 25-year implementation period, through 2036. The Consent Decree requires the Sewer District to construct multiple projects specified in the appendices of the Consent Decree that are intended to upgrade capacity at each of its three wastewater treatment plants, make improvements to its collection system, construct green infrastructure, and complete both federal and state Supplemental Environmental Projects, all as specifically described. Failure of the Sewer District to complete any of the required projects in accordance with the Consent Decree could result in penalties as set forth in the Consent Decree. As of December 31, 2023 and 2022, the Sewer District did not anticipate any failures that would result in such penalties.

Other Litigation

The Sewer District, in the normal course of its activities, is involved in various other claims and pending litigation. In the opinion of District management, the disposition of these other matters is not expected to have a material adverse effect on the financial position of the Sewer District.

Note 15: Fair Value Measurements

The Sewer District uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. U.S. Government Obligations, Fixed Income Securities, the Revenue Debt Service Fund and Money Market Funds are valued at the closing price reported on the over-the-counter market on which the individual securities are traded. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information which has been internally developed.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2023 and 2022

Note 15: Fair Value Measurements (continued)

Financial assets at December 31, 2023 consisted of the following:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total at 12/31/2023</u> |
|--|-----------------------|-----------------------|----------------|--------------------------------|
| <u>Short-Term Investments</u> | | | | |
| Money Market Funds | \$ 341,851,675 | \$ - | \$ - | \$ 341,851,675 |
| U.S. Treasury Bills | 17,458,774 | - | - | 17,458,774 |
| Huntington Contractors Escrow | 1,571,320 | - | - | 1,571,320 |
| Fixed Income Securities | - | 33,603,547 | - | 33,603,547 |
| U.S. Gov't Obligations | - | 125,118,647 | - | 125,118,647 |
| <u>Long Term Investments</u> | | | | |
| Fixed Income Securities | - | 64,490,971 | - | 64,490,971 |
| U.S. Gov't Obligations | - | 40,854,130 | - | 40,854,130 |
| <u>Revenue Bond Debt Service Fund</u> | | | | |
| Money Market Funds | 16,261 | - | - | 16,261 |
| U.S. Gov't Obligations | - | 11,164,736 | - | 11,164,736 |
| Total | <u>\$ 360,898,030</u> | <u>\$ 275,232,031</u> | <u>\$ -</u> | <u>\$ 636,130,061</u> |

Financial assets at December 31, 2022 consisted of the following:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total at 12/31/2022</u> |
|--|-----------------------|-----------------------|----------------|--------------------------------|
| <u>Short-Term Investments</u> | | | | |
| Money Market Funds | \$ 318,587,882 | \$ - | \$ - | \$ 318,587,882 |
| Huntington Contractors Escrow | 1,658,689 | - | - | 1,658,689 |
| Fixed Income Securities | - | 31,033,632 | - | 31,033,632 |
| U.S. Gov't Obligations | - | 136,176,588 | - | 136,176,588 |
| <u>Long Term Investments</u> | | | | |
| Fixed Income Securities | - | 15,553,907 | - | 15,553,907 |
| U.S. Gov't Obligations | - | 51,828,636 | - | 51,828,636 |
| <u>Revenue Bond Debt Service Fund</u> | | | | |
| Money Market Funds | 35,387 | - | - | 35,387 |
| U.S. Gov't Obligations | - | 10,114,160 | - | 10,114,160 |
| Total | <u>\$ 320,281,958</u> | <u>\$ 244,706,923</u> | <u>\$ -</u> | <u>\$ 564,988,881</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

**Schedule of the District's Proportionate Share of the Net Pension Liability and Asset
Ohio Public Employees Retirement System - Traditional and Combined Plans**

For the Last Ten Years *

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Traditional Plan | | | | | | | | | | |
| District's Proportion of the Net Pension Liability | 0.323762% | 0.330081% | 0.356791% | 0.358148% | 0.354457% | 0.362813% | 0.341986% | 0.336154% | 0.336024% | 0.336024% |
| District's Proportionate Share of the Net Pension Liability | \$ 95,639,436 | \$ 28,718,385 | \$ 52,832,981 | \$ 70,790,382 | \$ 97,078,586 | \$ 56,918,326 | \$ 77,659,205 | \$ 58,226,111 | \$ 40,528,251 | \$ 39,612,852 |
| District's Covered Payroll | \$ 51,515,529 | \$ 48,430,557 | \$ 50,344,200 | \$ 48,516,643 | \$ 48,060,622 | \$ 52,309,025 | \$ 40,870,702 | \$ 49,435,775 | \$ 48,528,228 | \$ 42,139,663 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | 185.65% | 59.30% | 104.94% | 145.91% | 201.99% | 108.81% | 190.01% | 117.78% | 83.51% | 94.00% |
| Plan Fiduciary Net Position as a Percentage of the Pension Liability | | | | | | | | | | |
| Plan Fiduciary Net Position as a Percentage of the Pension Liability | 75.74% | 92.62% | 86.88% | 82.17% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| Combined Plan | | | | | | | | | | |
| District's Proportion of the Net Pension Asset | 0.544457% | 0.529671% | 0.565736% | 0.584628% | 0.634615% | 0.684592% | 0.583779% | 0.531290% | 0.535543% | 0.535543% |
| District's Proportionate Share of the Net Pension Asset | \$ 1,283,232 | \$ 2,086,935 | \$ 1,633,076 | \$ 1,219,092 | \$ 709,645 | \$ 931,953 | \$ 324,913 | \$ 258,537 | \$ 206,196 | \$ 56,194 |
| District's Covered Payroll | \$ 2,625,371 | \$ 2,440,971 | \$ 2,493,536 | \$ 2,514,571 | \$ 2,733,250 | \$ 3,011,061 | \$ 2,189,365 | \$ 2,275,217 | \$ 2,233,128 | \$ 1,939,145 |
| District's Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll | 48.88% | 85.50% | 65.49% | 48.48% | 25.96% | 30.95% | 14.84% | 11.36% | 9.23% | 2.90% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | | | | | | | | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 137.14% | 169.88% | 157.67% | 145.28% | 126.64% | 137.28% | 116.55% | 116.90% | 114.83% | 104.33% |

* Amounts presented for each year were determined as of the Sewer District's measurement date, which is the prior year-end.

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

**Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System**

For the Last Seven Years *

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|-----------------|----------------|---------------|---------------|---------------|---------------|
| District's Proportion of the Net OPEB Liability/Asset | 0.346520% | 0.354159% | 0.381944% | 0.382083% | 0.383170% | 0.390720% | 0.364608% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ 2,184,875 | \$ (11,092,801) | \$ (6,804,636) | \$ 52,775,589 | \$ 49,956,323 | \$ 42,429,314 | \$ 36,826,620 |
| District's Covered Payroll | \$ 60,419,609 | \$ 55,218,354 | \$ 57,724,594 | \$ 57,316,385 | \$ 55,780,664 | \$ 60,288,529 | \$ 46,660,550 |
| District's Proportion of the Net OPEB Liability (Asset) as a Percentage of Its Covered Payroll | 3.62% | -20.09% | -11.79% | 92.08% | 89.56% | 70.38% | 78.92% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 94.79% | 128.23% | 115.57% | 47.80% | 46.33% | 54.14% | N/A |

* Amounts presented for each year were determined as of the Sewer District's measurement date, which is the prior year-end. Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

**Schedule of the District Contributions
Ohio Public Employees Retirement System - Traditional Plan**

For the Last Ten Years

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions | \$ 7,803,390 | \$ 7,212,174 | \$ 6,780,278 | \$ 7,048,188 | \$ 6,792,330 |
| Contributions in Relation to Contractually Required Contributions | <u>(7,803,390)</u> | <u>(7,212,174)</u> | <u>(6,780,278)</u> | <u>(7,048,188)</u> | <u>(6,792,330)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 55,738,500 | \$ 51,515,529 | \$ 48,430,557 | \$ 50,344,200 | \$ 48,516,643 |
| Contribution as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% |

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions | \$ 6,728,485 | \$ 6,800,173 | \$ 4,904,484 | \$ 5,932,293 | \$ 5,823,387 |
| Contributions in Relation to Contractually Required Contributions | <u>(6,728,485)</u> | <u>(6,800,173)</u> | <u>(4,904,484)</u> | <u>(5,932,293)</u> | <u>(5,823,387)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 48,060,622 | \$ 52,309,025 | \$ 40,870,702 | \$ 49,435,775 | \$ 48,528,228 |
| Contribution as a Percentage of Covered Payroll | 14.00% | 13.00% | 12.00% | 12.00% | 12.00% |

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

**Schedule of the District Contributions
Ohio Public Employees Retirement System - Combined Plan**

For the Last Ten Years

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions | \$ 307,088 | \$ 336,862 | \$ 341,736 | \$ 349,095 | \$ 352,040 |
| Contributions in Relation to Contractually Required Contributions | (307,088) | (336,862) | (341,736) | (349,095) | (352,040) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 2,559,071 | \$ 2,625,371 | \$ 2,440,971 | \$ 2,493,536 | \$ 2,514,571 |
| Contribution as a Percentage of Covered Payroll | 12.00% | 12.83% | 14.00% | 14.00% | 14.00% |
| | | | | | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contributions | \$ 382,655 | \$ 391,438 | \$ 262,724 | \$ 273,026 | \$ 267,975 |
| Contributions in Relation to Contractually Required Contributions | (382,655) | (391,438) | (262,724) | (273,026) | (267,975) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 2,733,250 | \$ 3,011,061 | \$ 2,189,365 | \$ 2,275,217 | \$ 2,233,128 |
| Contribution as a Percentage of Covered Payroll | 14.00% | 13.00% | 12.00% | 12.00% | 12.00% |

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

**Schedule of the District Contributions
Ohio Public Employees Retirement System - OPEB**

For the Last Eight Years *

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Contractually Required OPEB Contributions | \$ 287,144 | \$ 267,471 | \$ 199,299 | \$ 200,641 | \$ 184,030 |
| Contributions in Relation to Contractually Required Contributions | <u>(287,144)</u> | <u>(267,471)</u> | <u>(199,299)</u> | <u>(200,641)</u> | <u>(184,030)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 63,796,516 | \$ 60,419,609 | \$ 55,218,354 | \$ 57,724,594 | \$ 57,316,385 |
| OPEB Contribution as a Percentage of Covered Payroll | 0.45% | 0.44% | 0.36% | 0.35% | 0.32% |

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|------------------|
| Contractually Required OPEB Contributions | \$ 109,330 | \$ 602,885 | \$ 933,211 |
| Contributions in Relation to Contractually Required Contributions | <u>(109,330)</u> | <u>(602,885)</u> | <u>(933,211)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 55,780,664 | \$ 60,288,529 | \$ 46,660,550 |
| Healthcare % per pension Note 8 | 0.20% | 1.00% | 2.00% |

*Although this schedule is intended to reflect information for ten years, information prior to 2016 is not available. An additional column will be added each year.

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Note 1: Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2023

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|--|
| Valuation Date | December 31, 2022 | December 31, 2022 |
| Experience Study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 6.90% | 6.90% |
| Wage Inflation | 2.75% | 2.75% |
| Projected Salary Increases, including 2.75% inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2023 then 2.05% Simple | 3.00% Simple through 2023 then 2.05% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2022

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|--|
| Valuation Date | December 31, 2021 | December 31, 2021 |
| Experience Study | 5-year period ended December 31, 2020 | 5-year period ended December 31, 2020 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 6.90% | 6.90% |
| Wage Inflation | 2.75% | 2.75% |
| Projected Salary Increases, including 2.75% inflation | 2.75 to 10.75% | 2.75 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 3.00% Simple through 2022 then 2.05% Simple | 3.00% Simple through 2022 then 2.05% Simple |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2021

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|---|
| Valuation Date | December 31, 2020 | December 31, 2020 |
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3.00% Simple | 3.00% Simple |
| Post-Jan 7, 2013 Retirees | 0.50% Simple through 2021 then 2.15% Simple | 0.50% Simple though 2021 then 2.15% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2020

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|---|--|
| Valuation Date | December 31, 2019 | December 31, 2019 |
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3% Simple | 3% Simple |
| Post-Jan 7, 2013 Retirees | 1.4% Simple through 2020 then 2.15% Simple | 1.4% Simple though 2020 then 2.15% Simple |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2019

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|---|--|
| Valuation Date | December 31, 2018 | December 31, 2018 |
| Experience Study | 5-year period ended December 31, 2015 | 5-year period ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.20% | 7.20% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% | 3.25 to 8.25% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3% Simple | 3% Simple |
| Post-Jan 7, 2013 Retirees | 3% Simple through 2018 then 2.15% Simple | 3% Simple though 2018 then 2.15% Simple |

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2017-2018

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2016 and prior

| | OPERS <u>Traditional plan</u> | OPERS <u>Combined plan</u> |
|--|--|---|
| Valuation Date | December 31, 2015 | December 31, 2015 |
| Experience Study | 5-year period ended December 31, 2010 | 5-year period ended December 31, 2010 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 8.00% | 8.00% |
| Wage Inflation | 3.75% | 3.75% |
| Projected Salary Increases, including 3.75% inflation | 4.25 to 10.05% | 4.25 to 8.05% |
| COLA or Ad Hoc COLA: | | |
| Pre-Jan 7, 2013 Retirees | 3% Simple | 3% Simple |
| Post-Jan 7, 2013 Retirees | 3% Simple through 2018 then 2.8% Simple | 3% Simple though 2018 then 2.8% Simple |

Beginning in 2019 for those retiring on or after January 7, 2013, the cost-of-living adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%.

Mortality rates – For amounts reported beginning in 2022, the measurements use pre-retirement mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously 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).

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2023 and 2022

Note 1: Net Pension Liability (continued)

Changes in Assumptions - OPERS (continued)

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

Note 2: Net OPEB Liability

Changes in Assumptions - OPERS OPEB

For 2023, the single discount rate changed from 6.00% in 2022 to 5.22% in 2023. For 2023, the municipal bond rate changed from 1.84% to 4.05%. For 2023, the health care cost trend rate changed from 5.5% initial, 3.5% ultimate in 2034 to 5.5% initial, 3.5% ultimate in 2036.

For 2022, the single discount rate was unchanged from 6.00% in 2021. For 2022, the municipal bond rate changed from 2.00% to 1.84%. For 2022, the health care cost trend rate changed from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2034.

For 2021, the single discount rate changed from 3.16% in 2020 to 6.00%. For 2021, the municipal bond rate changed from 2.75% to 2.00%. For 2021, the health care cost trend rate changed from 10.5% initial, 3.5% ultimate in 2030 to 8.5% initial, 3.5% ultimate in 2035.

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

Factors Significantly Affecting Trends in Reported Amounts - OPERS

On January 15, 2020, the OPERS Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes went into effect January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Supplementary Information Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual

For the Year Ended December 31, 2023

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| Revenues: | | | | |
| User Charges: | | | | |
| Billed | \$ 453,705,141 | \$ 453,705,141 | \$ 453,932,175 | \$ 227,034 |
| Other Revenue | 2,190,776 | 2,190,776 | 2,807,529 | 616,753 |
| Total Revenues | 455,895,917 | 455,895,917 | 456,739,704 | 843,787 |
| Expenses: | | | | |
| Salary and Wages | 65,259,006 | 64,283,039 | 62,107,654 | 2,175,385 |
| Fringe Benefits (1) | 25,397,475 | 25,397,475 | 21,484,291 | 3,913,184 |
| Power | 11,155,163 | 12,037,423 | 12,015,996 | 21,427 |
| Materials and Supplies | 12,836,078 | 13,267,650 | 10,514,270 | 2,753,380 |
| Collection Fees | 11,519,200 | 11,519,200 | 9,734,223 | 1,784,977 |
| Gas | 1,149,805 | 1,149,805 | 1,134,734 | 15,071 |
| Chemicals | 4,015,792 | 3,914,902 | 3,376,840 | 538,062 |
| Repairs and Maintenance | 3,301,465 | 3,269,193 | 3,898,584 | (629,391) |
| Solids Handling | 2,462,931 | 2,714,292 | 2,795,262 | (80,970) |
| Water | 969,902 | 1,094,672 | 1,156,431 | (61,759) |
| Professional Services | 16,735,400 | 16,483,293 | 13,997,916 | 2,485,377 |
| Insurance | 1,605,000 | 1,605,000 | 1,484,095 | 120,905 |
| Judgements and Awards | 225,000 | 225,000 | 106,500 | 118,500 |
| Other Operating Expenses | 39,594,447 | 39,265,720 | 24,876,002 | 14,389,718 |
| Capitalized Construction Costs | (6,530,157) | (6,530,157) | (6,294,901) | (235,256) |
| Depreciation | 88,230,365 | 88,230,365 | 93,631,020 | (5,400,655) |
| Impact of GASB 68 and 75 | - | - | (1,157,749) | 1,157,749 |
| Total Operating Expenses | 277,926,872 | 277,926,872 | 254,861,168 | 23,065,704 |
| Excess of Revenues Over Operating Expenses | \$ 177,969,045 | \$ 177,969,045 | \$ 201,878,536 | \$ 23,909,491 |

(1) Fringe Benefits actual number includes unbudgeted amounts for pension and OPEB. The net impact on actual expenses was (\$1,157,749), of which, \$3,184,832 was due to pension and (\$4,342,581) was due to OPEB. For more detail, please see Notes 8 and 9 of notes disclosures.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Supplementary Information

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual

For the Year Ended December 31, 2023

Reconciliation to Change in Net Position:

| | | |
|--|----|----------------------|
| Excess of Operating Revenues Over Operating Expenses | \$ | 201,878,536 |
| Interest Revenue | | 24,256,066 |
| Lease Revenue | | 38,315 |
| Increase in Fair Value of Investments, Net | | 4,942,718 |
| Non-Operating Grant Revenue | | 7,809,674 |
| Non-Operating Grant Expenses | | (7,809,674) |
| Green Infrastructure Program | | (2,113,331) |
| Member Infrastructure Community Program | | (7,358,999) |
| Stormwater Community Cost-Share Disbursement | | (11,778,041) |
| Loss on Disposals of Equipment | | (3,798,520) |
| Interest Expense on Long-Term Debt | | (50,761,416) |
| Interest Lease Expense | | (1,153) |
| SBITA Interest Expense | | (74,069) |
| Federal Subsidy Revenue | | 1,541,215 |
| | | <hr/> |
| Change in Net Position | | 156,771,321 |
| Net Position at Beginning of Year - Restated, See Note 3 | | 2,030,061,864 |
| | | <hr/> |
| Net Position at End of Year | \$ | <u>2,186,833,185</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Supplementary Information Schedule of Revenues, Expenses and Changes in Net Position-Budget to Actual

For the Year Ended December 31, 2023

Note 1: Summary of Significant Accounting Policies

Budgetary Basis of Accounting

The Sewer District's budget is prepared on the basis of accounting principles generally accepted in the United States of America, except that the budget does not include interest revenue, increases (decreases) in fair value of investments, interest on long-term debt, and gains and losses on equipment disposals. Formal budgetary integration is employed as a management control device during the year.

General provisions regulating the Sewer District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the Sewer District's operating and capital budgets to the Board and they are required to adopt such budgets by March 31 of each year. Until the final budgets are adopted, the Board may adopt a temporary appropriation for the first three months of the year. The Board must also approve all amendments to the budget. The level of budgetary control for the Sewer District's operation, maintenance, and minor capital outlays is on a budget center line-item basis. During the fiscal year, budget center heads may transfer appropriations within their respective budget centers and from other budget centers within limitations that are subject to Board approval. The capital budget consists of major and minor capital expenditures.

Requests for capital project expenditures must be approved by the Board and/or the Chief Executive Officer, as appropriate, and require certification of available funds by the Chief Financial Officer. Board approval is required for all operating and capital purchases of goods and services in excess of \$75,000. All budget appropriations lapse on December 31 of each year. The annual Capital Plan outlines estimated cost by project. These projects are already authorized or to be considered by the Board. Approval of the budgets by the Board does not in itself authorize expenses for operations and maintenance or expenditures for capital projects.



Statistical section

UNAUDITED

STATISTICAL SECTION (UNAUDITED)

This part of the Sewer District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Sewer District's overall financial health.

| Contents | Page |
|--|-------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand the Sewer District's financial performance and well-being and how they have changed over time.</i> | 98 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the Sewer District's most significant revenue source, user charges.</i> | 106 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Sewer District's current levels of outstanding debt and the Sewer District's ability to issue additional debt in the future.</i> | 110 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Sewer District's financial activities take place.</i> | 112 |
| Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Sewer District's financial report relates to the services the Sewer District provides and the activities it performs.</i> | 114 |
| Continuing Disclosure Requirements <i>These schedules are required by Continuing Disclosure Agreement with respect to outstanding Revenue Bonds. They contain information pertinent to each of the categories above.</i> | 120 |

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports and Sewer District accounting records for the relevant year.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
NET POSITION BY COMPONENT
LAST TEN YEARS**

| | 2023 | 2022 (5) | 2021 (4) | 2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Net Investment in Capital Assets | \$ 1,463,382,074 | \$ 1,393,173,434 | \$ 1,258,992,579 | \$ 1,233,425,735 |
| Restricted - Stormwater Community Cost-Share | 39,134,905 | 36,587,005 | 31,470,340 | 30,484,566 |
| Restricted - Net Pension Plan | 1,283,232 | 1,975,377 | 1,577,876 | 1,279,963 |
| Unrestricted | 683,032,974 | 598,326,048 | 568,812,260 | 425,854,081 |
| Total | <u>\$ 2,186,833,185</u> | <u>\$ 2,030,061,864</u> | <u>\$ 1,860,853,055</u> | <u>\$ 1,691,044,345</u> |

Notes:

- (1) 2014 restated to comply with GASB 68.
- (2) 2017 restated to comply with GASB 75.
- (3) 2019 restated to comply with GASB 83.
- (4) 2021 restated to comply with GASB 87.
- (5) 2022 restated to comply with GASB 96.

Source: Sewer District accounting records.

| <u>2019 (3)</u> | <u>2018</u> | <u>2017 (2)</u> | <u>2016</u> | <u>2015</u> | <u>2014 (1)</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 1,231,162,062 | \$ 1,196,966,572 | \$ 1,107,066,113 | \$ 990,664,879 | \$ 786,650,331 | \$ 1,018,734,360 |
| 25,911,002 | 24,045,802 | 17,185,754 | 8,203,008 | - | - |
| 1,072,795 | 915,043 | 675,990 | 300,825 | 235,393 | - |
| <u>333,705,546</u> | <u>307,638,932</u> | <u>328,216,643</u> | <u>427,186,830</u> | <u>571,020,461</u> | <u>284,669,454</u> |
| <u>\$ 1,591,851,405</u> | <u>\$ 1,529,566,349</u> | <u>\$ 1,453,144,500</u> | <u>\$ 1,426,355,542</u> | <u>\$ 1,357,906,185</u> | <u>\$ 1,303,403,814</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CHANGES IN NET POSITION
LAST TEN YEARS**

| | 2023 | 2022 (9) | 2021 (8) | 2020 | 2019 (7) |
|---|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Operating Revenues, Net - Sewage | | | | | |
| Billing Agents | \$ 370,053,920 | \$ 357,795,915 | \$ 351,000,147 | \$ 320,790,742 | \$ 310,986,925 |
| Direct Billed | 35,293,213 | 30,167,877 | 28,922,149 | 29,349,538 | 27,610,406 |
| Other (7) | 2,776,430 | 1,919,436 | 2,282,303 | 1,934,392 | 1,615,509 |
| Total Operating Revenues, Net - Sewage | <u>408,123,563</u> | <u>389,883,228</u> | <u>382,204,599</u> | <u>352,074,672</u> | <u>340,212,840</u> |
| Operating Revenues, Net - Stormwater | | | | | |
| Billing Agents | 47,634,058 | 45,641,388 | 43,519,426 | 43,886,592 | 43,907,185 |
| Direct Billed | 950,984 | 889,886 | 862,650 | 808,341 | 927,462 |
| Other | 31,099 | 144,689 | - | (173) | - |
| Total Operating Revenues, Net - Stormwater | <u>48,616,141</u> | <u>46,675,963</u> | <u>44,382,076</u> | <u>44,694,760</u> | <u>44,834,647</u> |
| Operating Revenues, Net - District Total | <u>456,739,704</u> | <u>436,559,191</u> | <u>426,586,675</u> | <u>396,769,432</u> | <u>385,047,487</u> |
| Operating Expenses - Sewage | | | | | |
| Salaries and Wages | 58,488,877 | 54,289,131 | 52,707,793 | 53,664,151 | 53,823,645 |
| Fringe Benefits (6) | 19,742,878 | (4,608,552) | (27,988,319) | 31,440,808 | 40,663,563 |
| Utilities | 15,280,072 | 11,947,789 | 11,364,347 | 12,234,202 | 12,248,936 |
| Professional and Contractual Services (7) | 25,823,412 | 23,065,747 | 24,417,228 | 25,437,661 | 25,952,405 |
| Other | 12,095,496 | 10,995,370 | 10,435,818 | 9,223,437 | 9,846,136 |
| Stormwater Indirect Cost Allocation (5) | (4,259,987) | (4,275,752) | (4,303,771) | (4,096,133) | (4,186,298) |
| Depreciation (6) (7) | 93,631,020 | 89,855,111 | 85,596,914 | 81,614,727 | 80,596,851 |
| Total Operating Expenses - Sewage | <u>220,801,768</u> | <u>181,268,844</u> | <u>152,230,010</u> | <u>209,518,853</u> | <u>218,945,238</u> |
| Operating Expenses - Stormwater | | | | | |
| Salaries and Wages | 3,618,778 | 3,319,843 | 3,460,956 | 3,509,846 | 3,257,406 |
| Fringe Benefits | 583,664 | 529,483 | 546,974 | 593,766 | 526,322 |
| Professional and Contractual Services | 25,465,209 | 18,009,600 | 13,802,080 | 17,556,797 | 34,238,683 |
| Other (1) | 131,762 | 142,546 | 106,914 | 100,972 | 109,590 |
| Stormwater Indirect Cost Allocation (5) | 4,259,987 | 4,275,752 | 4,303,771 | 4,096,133 | 4,186,298 |
| Depreciation (6) | - | - | 13,200 | - | - |
| Total Operating Expenses - Stormwater | <u>34,059,400</u> | <u>26,277,224</u> | <u>22,233,895</u> | <u>25,857,514</u> | <u>42,318,299</u> |
| Total Operating Expenses - District Total | <u>254,861,168</u> | <u>207,546,068</u> | <u>174,463,905</u> | <u>235,376,367</u> | <u>261,263,537</u> |
| Operating Income | <u>201,878,536</u> | <u>229,013,123</u> | <u>252,122,770</u> | <u>161,393,065</u> | <u>123,783,950</u> |
| Non-Operating Revenues (Expenses), Net | | | | | |
| Interest Revenue (7) | 24,256,066 | 7,016,656 | 1,666,422 | 4,468,117 | 7,843,503 |
| Lease Revenue (7) | 38,315 | 38,315 | 38,315 | - | - |
| (Decrease) Increase in Fair Value of Investments, Net | 4,942,718 | (2,561,068) | (980,218) | 996,621 | 604,848 |
| Non-Operating Grant Revenue | 7,809,674 | 1,000,000 | - | - | - |
| Non-Operating Grant Expenses | (7,809,674) | - | - | - | (177,781) |
| Proceeds on Insurance Claims (2) | - | - | - | - | - |
| Green Infrastructure Program (4) | (2,113,331) | (634,937) | (1,295,007) | (1,286,128) | (2,102,179) |
| Member Community Infrastructure Program (4) | (7,358,999) | (6,978,698) | (5,079,830) | (4,184,855) | (2,331,313) |
| Stormwater Community Cost-Share Disbursement (3) | (11,778,041) | (5,296,322) | (9,617,923) | (7,320,593) | (8,511,830) |
| Loss on Disposals of Equipment | (3,798,520) | (830,603) | (11,914,948) | (520,567) | (649,659) |
| Loss on Bond Defeasance | - | (1,111,736) | (1,039,979) | - | - |
| Loss on Non-Operating Miscellaneous Transactions | - | - | (11,300) | - | - |
| Interest Lease Expense (7) | (1,153) | (3,583) | (1,608) | - | - |
| Interest Expense on Long-Term Debt | (50,761,416) | (51,911,498) | (55,905,229) | (55,891,482) | (60,975,839) |
| Interest on Subscriptions | (74,069) | (96,093) | - | - | - |
| Asset Retirement Obligation Non-Operating Transaction | - | 30,892 | 297,885 | - | - |
| Gain on Early Lease Termination | - | 1,447 | - | - | - |
| Federal Subsidy Revenue | 1,541,215 | 1,532,914 | 1,529,360 | 1,538,762 | 4,801,356 |
| Total Non-Operating Revenues (Expenses), Net | <u>(45,107,215)</u> | <u>(59,804,314)</u> | <u>(82,314,060)</u> | <u>(62,200,125)</u> | <u>(61,498,894)</u> |
| Change in Net Position | <u>\$ 156,771,321</u> | <u>\$ 169,208,809</u> | <u>\$ 169,808,710</u> | <u>\$ 99,192,940</u> | <u>\$ 62,285,056</u> |

(1) Other Operating Expenses include Agreement with the Cleveland Metroparks for the Regional Stormwater Management Program.

(2) Proceeds from the flood at the Southerly WWTP.

(3) Beginning 2016, Stormwater Community Cost-Share is classified to non-operating expenses.

(4) Beginning 2017, Green Infrastructure and Member Community Infrastructure Programs are classified to non-operating expenses.

(5) Beginning 2016, the Sewer District started tracking stormwater utility's indirect support costs related to Sewer District's services to reflect what portion of these indirect, or overhead, costs should be allocated to the stormwater utility.

(6) Restated to comply with GASB 68 for 2014.

(7) Restated to comply with GASB 83 for 2019.

(8) Restated to comply with GASB 87 for 2021.

(9) Restated to comply with GASB 96 for 2022.

Source: Sewer District accounting records.

| 2018 | 2017 | 2016 | 2015 | 2014 (6) |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 301,523,258 | \$ 273,964,177 | \$ 266,840,893 | \$ 237,570,432 | \$ 220,621,174 |
| 23,142,825 | 22,848,020 | 17,970,171 | 16,684,685 | 17,685,946 |
| 1,392,876 | 2,567,476 | 1,972,379 | 5,428,088 | 878,279 |
| <u>326,058,959</u> | <u>299,379,673</u> | <u>286,783,443</u> | <u>259,683,205</u> | <u>239,185,399</u> |
| 43,029,033 | 43,734,464 | 25,487,614 | 20,424,261 | - |
| 935,644 | 766,301 | 765,778 | 322,691 | - |
| - | - | - | - | - |
| <u>43,964,677</u> | <u>44,500,765</u> | <u>26,253,392</u> | <u>20,746,952</u> | <u>-</u> |
| <u>370,023,636</u> | <u>343,880,438</u> | <u>313,036,835</u> | <u>280,430,157</u> | <u>239,185,399</u> |
| 52,726,122 | 52,144,371 | 49,878,369 | 47,918,213 | 46,226,508 |
| 31,535,641 | 29,221,894 | 22,495,670 | 14,563,011 | 14,610,845 |
| 14,729,821 | 13,601,569 | 14,187,719 | 16,284,328 | 15,267,723 |
| 32,255,207 | 32,211,644 | 29,842,682 | 21,988,568 | 22,286,370 |
| 5,708,698 | 4,575,795 | 2,587,719 | 3,725,796 | 3,807,036 |
| (3,974,441) | (3,755,359) | (3,612,532) | - | - |
| 71,733,140 | 71,496,416 | 66,605,940 | 62,825,528 | 57,171,918 |
| <u>204,714,188</u> | <u>199,496,330</u> | <u>181,985,567</u> | <u>167,305,444</u> | <u>159,370,400</u> |
| 2,606,546 | 1,353,653 | 590,438 | - | - |
| 382,135 | 196,233 | 82,758 | - | - |
| 23,472,515 | 19,503,698 | 4,517,336 | - | - |
| 756,779 | 121,598 | 50,417 | - | - |
| 3,974,441 | 3,755,359 | 3,612,532 | - | - |
| - | - | - | - | - |
| <u>31,192,416</u> | <u>24,930,541</u> | <u>8,853,481</u> | <u>-</u> | <u>-</u> |
| <u>235,906,604</u> | <u>224,426,871</u> | <u>190,839,048</u> | <u>167,305,444</u> | <u>159,370,400</u> |
| 134,117,032 | 119,453,567 | 122,197,787 | 113,124,713 | 79,814,999 |
| 5,573,074 | 3,833,084 | 2,901,760 | 2,526,049 | 993,560 |
| - | - | - | - | - |
| 378,689 | (518,063) | 494,661 | (1,173,193) | 295,828 |
| 521,873 | 206,905 | 223,125 | 1,383,547 | 1,304,233 |
| (4,534) | (97,733) | (187,668) | (707,409) | (4,259,001) |
| - | 7,112 | 64,597 | - | - |
| (1,361,640) | (1,318,460) | - | - | - |
| (4,911,520) | (3,118,863) | - | - | - |
| (4,218,308) | (2,626,418) | (72,190) | - | - |
| (385,744) | (301,070) | (3,319,289) | (4,323,785) | (3,913,066) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | (1,614) | (180,025) | - |
| (59,784,224) | (58,980,224) | (60,317,727) | (62,616,911) | (59,922,594) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 6,497,151 | 6,472,856 | 6,465,915 | 6,469,385 | 6,438,149 |
| <u>(57,695,183)</u> | <u>(56,440,874)</u> | <u>(53,748,430)</u> | <u>(58,622,342)</u> | <u>(59,062,891)</u> |
| <u>\$ 76,421,849</u> | <u>\$ 63,012,693</u> | <u>\$ 68,449,357</u> | <u>\$ 54,502,371</u> | <u>\$ 20,752,108</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
REVENUES BY TYPE
LAST TEN YEARS**

| | <u>2023</u> | <u>2022</u> | <u>2021 (2)</u> | <u>2020</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Operating Revenues, Net</u> | | | | |
| Sewage and Stormwater Service Fees | | | | |
| City of Cleveland Billing Agent | \$ 410,091,834 | \$ 395,981,315 | \$ 387,061,089 | \$ 357,782,897 |
| Other Billing Agents | 7,596,144 | 7,455,988 | 7,458,484 | 6,894,437 |
| Other Sewage and Stormwater Service Fees | 36,244,197 | 31,057,763 | 29,784,799 | 30,157,879 |
| Other Operating Revenue (2) | <u>2,807,529</u> | <u>2,064,125</u> | <u>2,282,303</u> | <u>1,934,219</u> |
| Total Operating Revenues, Net | 456,739,704 | 436,559,191 | 426,586,675 | 396,769,432 |
| <u>Non-Operating Revenues, Net</u> | | | | |
| Interest Revenue (2) | 24,256,066 | 7,016,656 | 1,666,422 | 4,468,117 |
| Increase (Decrease) in Fair Value of Investments, Net | 4,942,718 | (2,561,068) | (980,218) | 996,621 |
| Lease Revenue (2) | 38,315 | 38,315 | 38,315 | - |
| Gain on Early Lease Termination | - | 1,447 | - | - |
| Proceeds from Insurance Claims (1) | - | - | - | - |
| Asset Retirement Obligation Non-Operating Transactions | - | 30,892 | 297,885 | - |
| Federal Subsidy Revenue | 1,541,215 | 1,532,914 | 1,529,360 | 1,538,762 |
| Non-Operating Grant Revenue | <u>7,809,674</u> | <u>1,000,000</u> | <u>-</u> | <u>-</u> |
| Total Non-Operating Revenues, Net | <u>38,587,988</u> | <u>7,059,156</u> | <u>2,551,764</u> | <u>7,003,500</u> |
| Total Revenues | <u>\$ 495,327,692</u> | <u>\$ 443,618,347</u> | <u>\$ 429,138,439</u> | <u>\$ 403,772,932</u> |

(1) Proceeds from Southerly Flood event.

(2) 2021 restated to comply with GASB 87.

Source: Sewer District accounting records.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 348,360,168 | \$ 338,466,864 | \$ 311,616,663 | \$ 275,275,862 | \$ 242,170,836 | \$ 206,720,248 |
| 6,533,942 | 6,085,427 | 6,081,978 | 17,052,645 | 15,823,857 | 13,900,926 |
| 28,537,868 | 24,078,469 | 23,614,321 | 18,735,949 | 17,007,376 | 17,685,946 |
| 1,615,509 | 1,392,876 | 2,567,476 | 1,972,379 | 5,428,088 | 878,279 |
| 385,047,487 | 370,023,636 | 343,880,438 | 313,036,835 | 280,430,157 | 239,185,399 |
| 7,843,503 | 5,573,074 | 3,833,084 | 2,901,760 | 2,526,049 | 993,560 |
| 604,848 | 378,689 | (518,063) | 494,661 | (1,173,193) | 295,828 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 7,112 | 64,597 | - | - |
| - | - | - | - | - | - |
| 4,801,356 | 6,497,151 | 6,472,856 | 6,465,915 | 6,469,385 | 6,438,149 |
| - | 521,873 | 206,905 | 223,125 | 1,383,547 | 1,304,233 |
| 13,249,707 | 12,970,787 | 10,001,894 | 10,150,058 | 9,205,788 | 9,031,770 |
| <u>\$ 398,297,194</u> | <u>\$ 382,994,423</u> | <u>\$ 353,882,332</u> | <u>\$ 323,186,893</u> | <u>\$ 289,635,945</u> | <u>\$ 248,217,169</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
OPERATING EXPENSES BY TYPE
LAST TEN YEARS**

| | 2023 | 2022 (4) | 2021 (3) | 2020 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Salaries and Wages | \$ 62,107,654 | \$ 57,608,974 | \$ 56,168,749 | \$ 57,173,997 |
| Fringe Benefits | 20,326,542 | (4,079,069) | (27,441,345) | 32,034,574 |
| Power | 12,015,996 | 9,030,269 | 8,619,352 | 9,432,548 |
| Materials and Supplies | 10,514,270 | 9,531,881 | 8,989,219 | 8,722,318 |
| Collection Fees | 9,734,223 | 9,189,095 | 8,876,531 | 8,804,820 |
| Gas | 1,134,734 | 1,065,254 | 904,151 | 1,147,356 |
| Chemicals | 3,376,840 | 3,424,727 | 3,000,729 | 3,047,424 |
| Repairs and Maintenance | 3,898,584 | 3,331,489 | 3,649,209 | 3,010,519 |
| Solids Handling | 2,795,262 | 2,255,692 | 2,196,867 | 1,568,460 |
| Water | 1,156,431 | 943,156 | 868,341 | 884,816 |
| Professional Services | 13,997,916 | 11,780,324 | 14,900,635 | 20,571,283 |
| Insurance | 1,484,095 | 1,368,806 | 1,223,164 | 989,625 |
| Judgments and Awards | 106,500 | 12,070 | (3,139) | - |
| All Other Expenses | 24,876,002 | 17,916,718 | 12,410,153 | 12,685,445 |
| Capitalized Construction Costs | (6,294,901) | (5,688,429) | (5,508,825) | (6,311,545) |
| Depreciation and Amortization | 93,631,020 | 89,855,111 | 85,610,114 | 81,614,727 |
| Total Operating Expenses | \$ 254,861,168 | \$ 207,546,068 | \$ 174,463,905 | \$ 235,376,367 |

(1) Restated to comply with GASB 68.

(2) Restated to comply with GASB 83.

(3) Restated to comply with GASB 87.

(4) Restated to comply with GASB 96.

Source : Sewer District accounting records.

| 2019 (2) | 2018 | 2017 | 2016 | 2015 | 2014 (1) |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 57,081,051 | \$ 55,332,668 | \$ 53,498,024 | \$ 50,468,807 | \$ 47,918,213 | \$ 46,226,508 |
| 41,189,885 | 31,917,776 | 29,418,128 | 22,578,428 | 14,563,011 | 14,610,845 |
| 9,008,321 | 11,216,797 | 10,052,193 | 10,652,319 | 12,072,308 | 10,247,703 |
| 8,602,651 | 7,816,290 | 7,088,671 | 6,820,729 | 5,676,639 | 4,882,158 |
| 8,679,625 | 8,275,350 | 8,506,812 | 8,000,246 | 7,870,531 | 7,753,358 |
| 1,285,320 | 1,689,079 | 1,326,027 | 1,314,239 | 1,818,054 | 2,710,438 |
| 3,131,901 | 2,617,257 | 2,062,888 | 2,390,757 | 2,865,628 | 3,152,662 |
| 3,244,813 | 2,837,255 | 3,172,685 | 2,290,027 | 3,154,329 | 3,310,824 |
| 1,450,778 | 1,459,652 | 1,546,734 | 1,763,205 | 1,170,548 | 2,315,896 |
| 1,065,318 | 1,007,341 | 1,159,576 | 1,069,671 | 977,437 | 1,096,667 |
| 27,648,097 | 29,405,301 | 23,678,268 | 16,550,378 | 6,004,935 | 6,468,485 |
| 959,418 | 882,305 | 762,390 | 764,709 | 778,421 | 858,861 |
| - | - | - | - | - | - |
| 23,097,906 | 17,875,618 | 18,981,336 | 9,627,486 | 8,353,217 | 7,940,886 |
| (5,778,398) | (8,159,225) | (8,323,277) | (10,057,893) | (8,743,355) | (9,376,809) |
| 80,596,851 | 71,733,140 | 71,496,416 | 66,605,940 | 62,825,528 | 57,171,918 |
| <u>\$ 261,263,537</u> | <u>\$ 235,906,604</u> | <u>\$ 224,426,871</u> | <u>\$ 190,839,048</u> | <u>\$ 167,305,444</u> | <u>\$ 159,370,400</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMMUNITIES SERVED BY THE SEWER DISTRICT
AND ESTIMATED POPULATION SERVED
DECEMBER 31, 2023**

| Estimated Service | | Estimated Service | |
|---|----------------------------------|----------------------------|----------------------------------|
| Municipality | Population ⁽¹⁾ | Municipality | Population ⁽¹⁾ |
| SUBDISTRICT 1 | | SUBDISTRICT 2 | |
| Cleveland City | 369,891 | Mayfield Village | 3,363 |
| SUBDISTRICT 2 | | Middleburg Heights City | 15,601 |
| Bath Township | 60 | Moreland Hills Village | 3,347 |
| Beachwood City | 13,917 | Newburgh Heights Village | 1,803 |
| Bedford City | - ⁽³⁾ | North Randall Village | 941 |
| Bedford Heights City | 18 ⁽³⁾ | North Royalton City | 3,909 ⁽²⁾ |
| Berea City | 18,131 | Northfield Center Township | 5,503 |
| Boston Heights Village | 764 ⁽²⁾ | Northfield Village | 3,500 |
| Bratenahl Village | 1,406 | Oakwood Village | 1,525 ⁽²⁾ |
| Brecksville City | 13,420 ⁽²⁾ | Olmsted Falls City | 8,584 ⁽²⁾ |
| Broadview Heights City | 15,099 ⁽²⁾ | Olmsted Township | 8,906 ⁽²⁾ |
| Brook Park City | 18,076 | Orange Village | 992 ⁽²⁾ |
| Brooklyn City | 11,068 | Parma City | 79,144 |
| Brooklyn Heights Village | 1,472 | Parma Heights City | 20,093 |
| Cleveland Heights City | 44,688 | Pepper Pike City | 6,697 ⁽²⁾ |
| Columbia Township | 3,567 ⁽²⁾ | Richfield Township | 1,012 ⁽²⁾ |
| Cuyahoga Heights Village | 559 | Richfield Village | 3,451 ⁽²⁾ |
| East Cleveland City | 13,924 | Richmond Heights City | 4,696 ⁽²⁾ |
| Euclid City | 292 ⁽²⁾ | Sagamore Hills Township | 10,746 |
| Garfield Heights City | 29,475 | Seven Hills City | 11,474 |
| Gates Mills Village | 397 ⁽²⁾ | Shaker Heights City | 29,257 |
| Glenwillow Village | 26 ⁽²⁾ | Solon City | 139 ⁽²⁾ |
| Highland Heights City | 8,603 | South Euclid City | 20,867 |
| Highland Hills Village | 776 | Strongsville City | 27,431 ⁽²⁾ |
| Hudson City | 9,261 ⁽²⁾ | Twinsburg City | - ⁽²⁾ |
| Hunting Valley | 2 | Twinsburg Township | 572 ⁽²⁾ |
| Independence City | 7,644 | University Heights City | 13,407 |
| Lakewood City | 94 ⁽³⁾ | Valley View Village | 1,843 |
| Linndale Village | 109 | Walton Hills Village | 2,013 |
| Lyndhurst City | 14,002 | Warrensville Heights City | 13,634 |
| Macedonia City | 11,985 | Willoughby Hills City | - ⁽³⁾ |
| Maple Heights City | 23,251 | | |
| Mayfield Heights City | 20,619 | | |
| | | Total Subdistrict 2 | 587,155 |
| Total Estimated Service Population | | | 957,046 |

(1) Based on U.S. Census Data and Sewer District administrative records.

(2) Estimated population for the portion of the municipality within the service area of the Sewer District.

(3) Service population not applicable. Sewer District serves non-residential properties only.



Northeast Ohio

Regional Sewer District

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SEWER LARGEST CUSTOMERS OF THE DISTRICT
AS OF DECEMBER 31, 2023
and NINE YEARS PRIOR**

| | 2023 | | | |
|--|------------------------|------------------|------|---------------------------------------|
| | CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
| SUBDISTRICT 1 | | | | |
| CUYAHOGA METROPOLITAN HOUSING AGENCY (2) | 94,575.6 | \$ 11,214,340 | 2 | 2.7% |
| CLEVELAND CLINIC (2) | 53,025.6 | 6,397,793 | 3 | 1.6% |
| CITY OF CLEVELAND WATER FILTRATION PLANTS | 40,843.6 | 6,818,631 | 4 | 1.7% |
| UNIVERSITY HOSPITALS (2) | 31,716.3 | 3,759,055 | 5 | 0.9% |
| CUYAHOGA COUNTY (2) | 20,198.3 | 2,397,687 | 6 | 0.6% |
| CASE WESTERN RESERVE UNIVERSITY | 15,727.4 | 1,896,391 | 7 | 0.5% |
| PPG INDUSTRIES | 12,582.8 | 1,476,348 | 10 | 0.4% |
| CLEVELAND-CLIFFS INC (formerly ARCELOR MITTAL STEEL) | 11,922.3 | 1,536,992 | 11 | 0.4% |
| MEDICAL CENTER CO | 9,857.5 | 1,145,075 | 15 | 0.3% |
| CLEVELAND STATE UNIVERSITY (2) | 8,026.5 | 994,255 | 17 | 0.2% |
| METROHEALTH MEDICAL CENTERS | 7,389.2 | 900,524 | 19 | 0.2% |
| CLEVELAND HOPKINS AIRPORT | 6,770.6 | 963,973 | 20 | 0.2% |
| MICELI DAIRY PRODUCTS | 6,483.7 | 1,753,244 | 21 | 0.4% |
| VETERANS ADMINISTRATION HOSPITALS (2) | 5,906.0 | 696,770 | 22 | 0.2% |
| OBERLIN FARMS | 5,746.8 | 1,119,197 | 23 | 0.3% |
| CITY OF CLEVELAND | 5,415.5 | 627,517 | 24 | 0.2% |
| CLEVELAND BROWNS | 4,883.2 | 562,812 | 25 | 0.1% |
| CLEVELAND BOARD OF EDUCATION | - | - | - | - |
| FERRO CORP (2) | - | - | - | - |
| CLEVELAND METROPARKS ZOO | - | - | - | - |
| SHERWIN WILLIAMS (2) | - | - | - | - |
| INLAND WATERS OF OHIO | - | - | - | - |
| Total Subdistrict 1 | 341,070.9 | \$ 44,260,604 | | 10.9% |
| SUBDISTRICT 2 | | | | |
| SUMMIT COUNTY (3) | 115,536.2 | \$ 15,187,465 | 1 | 3.7% |
| ALUMINUM CORPORATION OF AMERICA (ALCOA) | 15,699.7 | 1,870,168 | 8 | 0.5% |
| THE K&D GROUP | 15,235.1 | 1,774,505 | 9 | 0.4% |
| NASA | 11,022.1 | 1,274,281 | 12 | 0.3% |
| CHARTER STEEL | 10,972.9 | 1,268,593 | 13 | 0.3% |
| VILLAGE OF RICHFIELD | 10,426.7 | 1,205,327 | 14 | 0.3% |
| FORD MOTOR CORPORATION | 9,540.4 | 1,140,108 | 16 | 0.3% |
| FOREST CITY MANAGEMENT (2) | 7,944.4 | 946,068 | 18 | 0.2% |
| POLYMER ADDITIVES | 4,841.4 | 626,529 | 26 | 0.2% |
| BROOKLYN ACRES HOMES (2) | - | - | - | - |
| ZEHMAN & WOLFE MANAGEMENT | - | - | - | - |
| CUYAHOGA COUNTY COMMUNITY COLLEGE (2) | - | - | - | - |
| Total Subdistrict 2 | 201,218.9 | \$ 25,293,044 | | 6.2% |
| Grand Total | 542,289.8 | \$ 69,553,648 | | 17.1% |

(1) One (1) MCF = one thousand cubic feet = 7,480 gallons.

(2) Amount represents Subdistrict 1 and Subdistrict 2 billings combined. Customer is listed in the Subdistrict where majority of consumption occurs.

(3) Eaton Estates /Nagy Park (Summit County) are included in an entire list of meter read info from Summit County.

Overall the Sewer District is billing Summit County more MCF with the meter read approach than what the Sewer District billed with the prior master meters & Eaton/Nagy list.

Source: 2023 Sewer District accounting records and City of Cleveland Division of Water billing records from OAC, provided by the Sewer District Billing Department.

2014

| CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
|------------------------|------------------|------|---------------------------------------|
| 73,406.2 | \$ 4,557,791 | 1 | 1.9% |
| 15,423.3 | 943,601 | 9 | 0.4% |
| 36,016.2 | 2,780,995 | 2 | 1.2% |
| 17,531.9 | 1,063,978 | 7 | 0.4% |
| 15,846.4 | 978,392 | 8 | 0.4% |
| 25,641.9 | 1,552,653 | 5 | 0.6% |
| - | - | - | - |
| 26,235.1 | 1,845,980 | 3 | 0.8% |
| - | - | - | 0.0% |
| 6,203.9 | 381,044 | 16 | 0.2% |
| 7,588.9 | 462,949 | 14 | 0.2% |
| - | - | - | - |
| - | - | - | - |
| 3,296.1 | 200,758 | 21 | 0.1% |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 9,519.9 | 586,320 | 13 | 0.2% |
| 10,197.7 | 602,685 | 12 | 0.3% |
| 4,685.8 | 341,637 | 19 | 0.1% |
| 5,767.2 | 355,115 | 18 | 0.1% |
| 4,540.3 | 428,075 | 15 | 0.2% |
| 261,900.8 | \$ 17,081,973 | | 7.1% |
| 5,629.4 | \$ 377,332 | 17 | 0.2% |
| 21,726.0 | 1,393,734 | 6 | 0.6% |
| - | - | - | - |
| 25,598.8 | 1,652,429 | 4 | 0.7% |
| 5,034.8 | 325,082 | 20 | 0.1% |
| - | - | - | - |
| 9,774.9 | 640,972 | 11 | 0.3% |
| 11,389.1 | 723,168 | 10 | 0.3% |
| - | - | - | - |
| 2,915.1 | 189,425 | 22 | 0.1% |
| 2,517.8 | 158,611 | 23 | 0.1% |
| 2,346.3 | 148,708 | 24 | 0.1% |
| 86,932.2 | \$ 5,609,461 | | 2.5% |
| 348,833.0 | \$ 22,691,434 | | 9.6% |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS**

| Debt by Type, In Thousands | 2023 | 2022 | 2021 | 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenue Bond Issues | | | | |
| \$68,280 Series 2005 (A) | \$ - | \$ - | \$ - | \$ - |
| \$126,055 Series 2007 (B) (F) (G) | - | - | - | - |
| \$336,930 Series 2010 (C) | 85,210 | 85,210 | 85,210 | 85,210 |
| \$249,535 Series 2013 (D) (H) | - | - | 1,915 | 20,215 |
| \$350,570 Series 2014A (E) | 3,885 | 7,590 | 62,865 | 179,925 |
| \$68,460 Series 2014B (F) | - | - | - | - |
| \$25,015 Series 2016 (G) | 21,075 | 21,265 | 21,445 | 21,620 |
| \$241,595 Series 2017 (H) | 238,010 | 239,195 | 239,840 | 240,455 |
| \$245,005 Series 2019 (J) | 245,005 | 245,005 | 245,005 | 245,005 |
| \$244,895 Series 2020 (K) | 204,225 | 205,920 | 240,025 | 241,665 |
| \$114,295 Series 2021 (L) | 109,520 | 111,300 | 113,070 | - |
| Total Revenue Bond Issues | 906,930 | 915,485 | 1,009,375 | 1,034,095 |
| Bond Premium | 23,828 | 26,512 | 32,407 | 43,984 |
| Bond Discount | (12) | (14) | (15) | (17) |
| Total Revenue Bonds | 930,746 | 941,983 | 1,041,767 | 1,078,062 |
| Water Pollution Control Loans | 994,523 | 968,851 | 906,310 | 814,932 |
| Total All Debt | <u>\$ 1,925,269</u> | <u>\$ 1,910,834</u> | <u>\$ 1,948,077</u> | <u>\$ 1,892,994</u> |
| Number of Customer Accounts (1) | 325,688 | 325,616 | 325,032 | 324,323 |
| Outstanding Debt Per Customer Account | \$ 5,911 | \$ 5,868 | \$ 5,993 | \$ 5,837 |

(1) For this schedule, Number of Customer Accounts is adjusted for Master Meter Communities as follows.*

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Historical Number of Customer Accounts (see pages 120 & 121) | 324,415 (1) | 324,400 (1) | 323,902 (1) | 323,214 (1) |
| Less Master Meter Communities | (1) | (1) | (1) | (1) |
| Add estimated number of customers in Master Meter Communities | 1,274 | 1,217 | 1,131 | 1,110 |
| Number of Customer Accounts | <u>325,688</u> | <u>325,616</u> | <u>325,032</u> | <u>324,323</u> |

*The Master Meter Communities bill their customers separately.

Master Meter are Communities of Village of Richfield and Summit County.

Note: This schedule should be read in conjunction with Note 7 to the Audited Financial Statements for December 31, 2023.

(A) The Series 1995 Bonds were refunded on December 20, 2005 and replaced by the Series 2005 Bonds.

(B) The Series 2007 Bonds were issued on May 22, 2007.

(C) The Series 2010 Bonds were issued on November 17, 2010.

(D) The Series 2013 Bonds were issued on March 26, 2013.

(E) The Series 2014A Bonds were issued on December 18, 2014.

(F) The Series 2014B Bonds were issued on December 18, 2014 and refunded a portion of the Series 2007 Bonds.

(G) The Series 2016 Bonds were issued on March 24, 2016 and refunded a portion of the Series 2007 Bonds.

(H) The Series 2017 Bonds were issued on September 20, 2017 and refunded a portion of the Series 2013 Bonds.

(I) Starting in 2017, Summit County is no longer billed as a Master Meter community, billing is based on actual consumption by property. Village of Richfield is still a Master Meter community.

(J) The Series 2019 Bonds were issued on September 10, 2019 and refunded a portion of the Series 2010 Bonds.

(K) The Series 2020 Bonds were issued on February 5, 2020 and refunded a portion of the Series 2014 Bonds.

(L) The Series 2021 Bonds were issued on July 29, 2021 and refunded a portion of the Series 2013 and 2014 Bonds.

Source: Sewer District accounting records.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 13,950 | \$ 20,445 |
| - | - | - | 7,520 | 34,110 | 36,865 |
| 85,210 | 336,930 | 336,930 | 336,930 | 336,930 | 336,930 |
| 24,730 | 24,730 | 24,730 | 249,535 | 249,535 | 249,535 |
| 329,585 | 332,585 | 336,570 | 350,570 | 350,570 | 350,570 |
| 62,285 | 65,440 | 68,460 | 68,460 | 68,460 | 68,460 |
| 21,790 | 21,955 | 22,115 | 25,015 | - | - |
| 241,040 | 241,595 | 241,595 | - | - | - |
| 245,005 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,009,645 | 1,023,235 | 1,030,400 | 1,038,030 | 1,053,555 | 1,062,805 |
| 63,704 | 48,533 | 53,979 | 59,638 | 66,503 | 74,014 |
| (18) | (20) | (22) | (26) | - | - |
| 1,073,331 | 1,071,748 | 1,084,357 | 1,097,642 | 1,120,058 | 1,136,819 |
| 707,522 | 595,876 | 515,685 | 490,186 | 497,778 | 469,536 |
| <u>\$ 1,780,853</u> | <u>\$ 1,667,624</u> | <u>\$ 1,600,042</u> | <u>\$ 1,587,828</u> | <u>\$ 1,617,836</u> | <u>\$ 1,606,355</u> |
| 323,865 | 323,664 | 323,877 | 325,225 | 326,496 | 326,555 |
| \$ 5,499 | \$ 5,152 | \$ 4,940 | \$ 4,882 | \$ 4,955 | \$ 4,919 |
| 322,758 (1) | 322,574 (1) | 322,799 (1) | 311,441 (3) | 312,837 (3) | 313,021 (3) |
| 1,108 | 1,091 | 1,079 | 13,787 | 13,662 | 13,537 |
| <u>323,865</u> | <u>323,664</u> | <u>323,877</u> | <u>325,225</u> | <u>326,496</u> | <u>326,555</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

| Year | Estimated Population Served (1) | Cuyahoga County | | |
|------|---------------------------------------|--------------------------|--------------------------------------|-----------------------------------|
| | | Unemployment Rate (2) | Total Personal Income (000's) (3) | Per Capita Personal Income (3) |
| 2014 | 1,260,610 | 5.3% | 59,358,035 | 47,087 |
| 2015 | 1,255,921 | 4.5% | 60,919,487 | 48,506 |
| 2016 | 1,249,352 | 5.4% | 62,496,228 | 50,023 |
| 2017 | 1,249,352 | 4.8% | 65,900,676 | 52,783 |
| 2018 | 1,243,857 | 5.0% | 68,087,050 | 54,739 |
| 2019 | 1,235,072 | 3.6% | 69,783,547 | 56,502 |
| 2020 | 1,227,883 | 8.3% | 73,578,996 | 59,923 |
| 2021 | 1,249,387 | 4.1% | 77,733,984 | 62,790 |
| 2022 | 1,247,563 | 3.6% | 78,423,857 | 63,448 |
| 2023 | 1,233,088 | 3.2% | n/a | n/a |

(1) Sources are the Sewer District administrative records, U.S. Census, and U.S. Census Block Data as presented in the Northeast Ohio Areawide Coordinating Agency Magic Database.

(2) Sources are Sewer District administrative records, County of Cuyahoga, Ohio Annual Comprehensive Financial Report and U.S. Department of Labor/Bureau of Labor Statistics.

Cuyahoga County is significantly the same as the Sewer District's service area.

(3) U.S. Department of Commerce, Bureau of Economic Analysis. Cuyahoga County is significantly the same as the Sewer District's service area.

Note - Items indicated "n/a" were not available as of the date of this report.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
PRINCIPAL EMPLOYERS OF CUYAHOGA COUNTY, OHIO
AS OF DECEMBER 31, 2023 AND 2014**

| Employer Name (1) | 2023 | | | 2014 | | |
|---|----------------------------|----------|--|----------------------------|----------|--|
| | Number of Employees (1) | Rank (1) | Percentage of Total County Employment (2) | Number of Employees (1) | Rank (1) | Percentage of Total County Employment (2) |
| | FTE* | | | FTE* | | |
| Cleveland Clinic Health System | 44,665 | 1 | 7.07% | 34,658 | 1 | 5.21% |
| Group Management Services Inc. | 22,145 | 2 | 3.51% | 8,813 | 6 | 1.32% |
| Minute Men Cos. | 21,802 | 3 | 3.45% | - | (3) | - |
| University Hospitals | 24,636 | 4 | 3.90% | 17,856 | 2 | 2.68% |
| Amazon | 20,000 | 5 | 3.17% | - | (3) | - |
| US Federal Government | 15,750 | 6 | 2.49% | 14,059 | 3 | 2.11% |
| Progressive Corp. | 13,150 | 7 | 2.08% | 9,001 | 5 | 1.35% |
| Walmart | 12,650 | 8 | 2.00% | - | (3) | - |
| Giant Eagle Inc. | 9,599 | 9 | 1.52% | 9,400 | 4 | 1.41% |
| State of Ohio | 7,605 | 10 | 1.20% | 8,340 | 7 | 1.25% |
| Cuyahoga County | - | - | - | 7,776 | 8 | 1.17% |
| Cleveland Municipal School District | - | - | - | 6,953 | 9 | 1.04% |
| City of Cleveland | - | - | - | 6,757 | 10 | 1.01% |
| Total | 192,002 | | 30.39% | 123,613 | | 18.55% |
| Total Cuyahoga County Employment (2) | | | 631,443 | | | 665,815 |

* Full-Time Equivalent.

(1) Sources are *Crain's Cleveland Business*, December 2023 and June 2014.

Cuyahoga County is significantly the same as the Sewer District's service area.

(2) Sources of total employment for Cuyahoga County, Ohio are the Sewer District administrative records,

Cuyahoga County, Ohio Annual Comprehensive Financial Report, and U.S.

Department of Labor, Bureau of Labor Statistics.

(3) Employment outside of top ten in reporting year.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
MISCELLANEOUS OPERATING STATISTICS
LAST TEN YEARS**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| <u>TREATMENT PLANT FLOW</u> | | | | |
| Billions of gallons of sewage treated per plant: | | | | |
| Easterly | 33.6 | 32.8 | 28.5 | 31.5 |
| Southerly | 43.6 | 46.3 | 41.6 | 47.7 |
| Westerly | 8.7 | 8.3 | 7.1 | 8.3 |
| Total | <u>85.9</u> | <u>87.4</u> | <u>77.2</u> | <u>87.5</u> |
| Total sewage treated, in MCFs (1) | <u>11,483,957</u> | <u>11,679,818</u> | <u>10,317,794</u> | <u>11,701,894</u> |
| MCFs billed, total District (4) | <u>3,256,983</u> | <u>3,272,735</u> | <u>3,313,170</u> | <u>3,349,667</u> |
| <u>STAFFING LEVELS</u> | | | | |
| Number of sewer employees: | | | | |
| Plant Operations and Maintenance | 428 | 417 | 399 | 416 |
| Engineering | 37 | 41 | 42 | 43 |
| Finance | 43 | 44 | 42 | 46 |
| Human Resources | 26 | 25 | 23 | 25 |
| Information Technology | 34 | 33 | 32 | 34 |
| District Administration | 20 | 18 | 18 | 18 |
| Legal | 10 | 10 | 11 | 11 |
| Administration and External Affairs | 35 | 34 | 29 | 30 |
| Watershed Programs (2) | 81 | 78 | 79 | 77 |
| Total | <u>714</u> | <u>700</u> | <u>675</u> | <u>700</u> |
| Number of stormwater employees: | | | | |
| Stormwater (3) | <u>39</u> | <u>37</u> | <u>39</u> | <u>40</u> |
| Total District employees | <u>753</u> | <u>737</u> | <u>714</u> | <u>740</u> |
| Budgeted employees, total District | <u>818</u> | <u>802</u> | <u>800</u> | <u>816</u> |

(1) Conversion factor: 1 MCF (thousand cubic feet) = 7,480 gallons.

(2) Watershed Programs reclassified from Plant Operations and Maintenance to Watershed Programs.

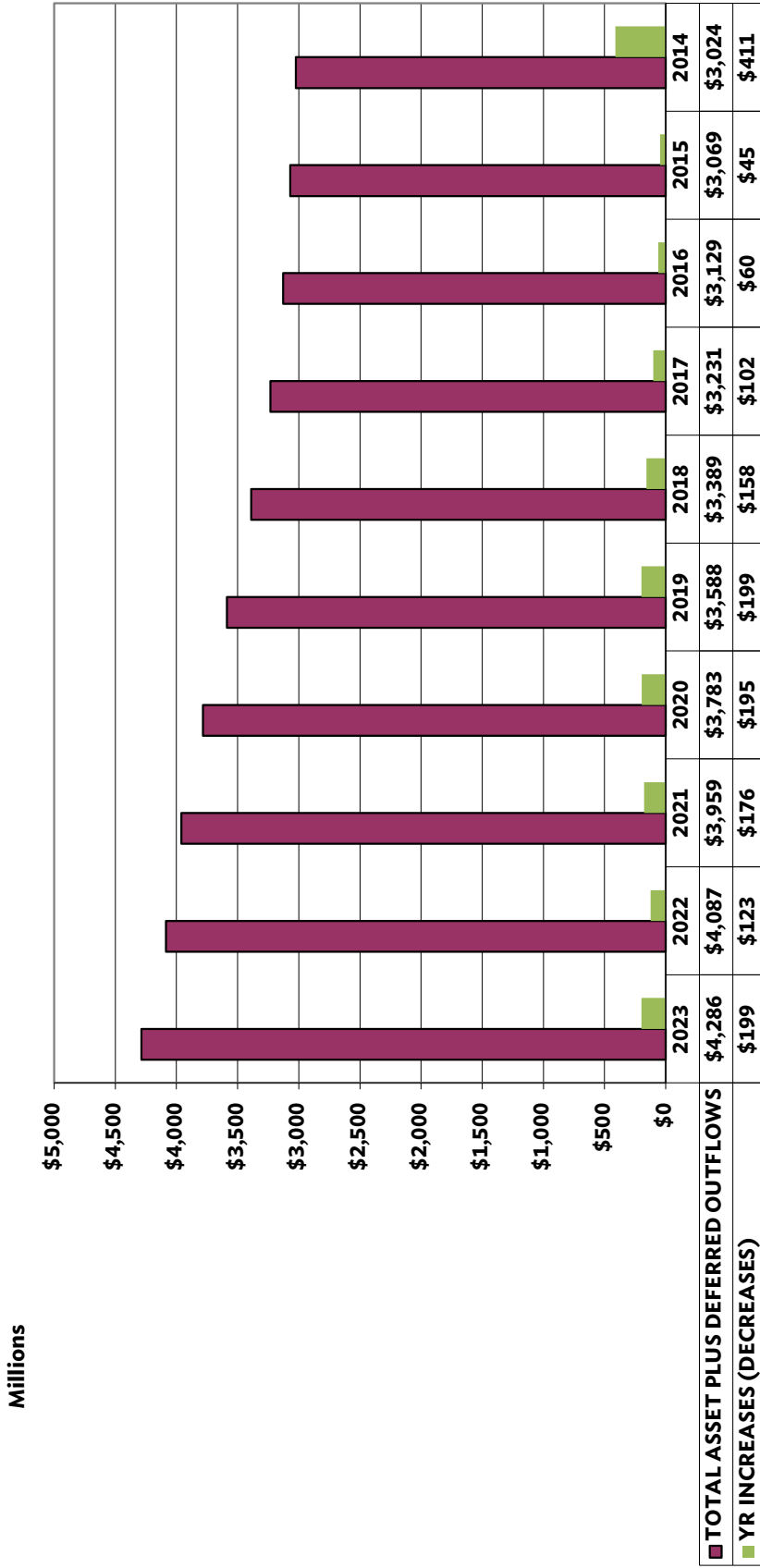
(3) The stormwater program began in 2016.

(4) In 2017, a one-time 1.5% increase in total MCFs was due to the conversion of quarterly to monthly billing cycle.

Source: Various Sewer District records.

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 32.3 | 34.2 | 29.9 | 26.3 | 29.4 | 32.2 |
| 45.5 | 48.3 | 44.8 | 41.0 | 47.7 | 47.2 |
| 9.3 | 9.8 | 8.6 | 9.0 | 9.7 | 10.3 |
| <u>87.1</u> | <u>92.3</u> | <u>83.3</u> | <u>76.3</u> | <u>86.8</u> | <u>89.7</u> |
| <u>11,640,856</u> | <u>12,339,572</u> | <u>11,136,364</u> | <u>10,200,535</u> | <u>11,604,278</u> | <u>11,991,979</u> |
| <u>3,511,140</u> | <u>3,569,084</u> | <u>3,757,322</u> | <u>3,703,466</u> | <u>3,665,500</u> | <u>3,739,178</u> |
| 411 | 432 | 424 | 427 | 410 | 363 |
| 47 | 63 | 64 | 66 | 64 | 61 |
| 46 | 45 | 43 | 43 | 43 | 44 |
| 21 | 29 | 30 | 30 | 27 | 16 |
| 33 | 35 | 36 | 24 | 19 | 22 |
| 37 | 17 | 14 | 15 | 13 | 78 |
| 10 | 11 | 10 | 10 | 8 | 9 |
| 38 | 38 | 41 | 33 | 27 | 38 |
| 82 | 82 | 105 | 94 | 83 | 77 |
| <u>725</u> | <u>752</u> | <u>767</u> | <u>742</u> | <u>694</u> | <u>708</u> |
| <u>39</u> | <u>36</u> | <u>26</u> | <u>8</u> | <u>-</u> | <u>-</u> |
| <u>764</u> | <u>788</u> | <u>793</u> | <u>750</u> | <u>694</u> | <u>708</u> |
| <u>820</u> | <u>824</u> | <u>809</u> | <u>773</u> | <u>761</u> | <u>730</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CUMULATIVE ASSET GROWTH
LAST TEN YEARS**





Northeast Ohio

Regional Sewer District

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CAPITAL ASSET STATISTICS
LAST TEN YEARS**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Number of Buildings | | | | |
| <u>Operations</u> | | | | |
| Southerly Plant | 39 | 42 | 44 | 45 |
| Easterly Plant | 22 | 22 | 22 | 22 |
| Westerly Plant | 17 | 17 | 17 | 17 |
| Outlying Pump Buildings | 12 | 12 | 9 | 9 |
| Total Operations | <u>90</u> | <u>93</u> | <u>92</u> | <u>93</u> |
| <u>Administration</u> | | | | |
| District Administration | 1 | 1 | 1 | 1 |
| Environmental Maintenance and Services Center | 4 | 4 | 4 | 4 |
| Total Offices | <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> |
| Total Buildings | <u><u>95</u></u> | <u><u>98</u></u> | <u><u>97</u></u> | <u><u>98</u></u> |
| | | | | |
| Miles of Interceptor Sewers Installed Annually* | <u><u>0.25</u></u> | <u><u>2.32</u></u> | <u><u>0.50</u></u> | <u><u>3.73</u></u> |
| | | | | |
| Number of Outlying Systems | | | | |
| <u>Sewage Collection System</u> | | | | |
| Interceptor Sewers and Tunnels | 27 | 27 | 25 | 25 |
| Inter-Community Relief Sewers | 30 | 30 | 30 | 30 |
| Automated Regulators | 41 | 41 | 39 | 34 |
| Pumping Stations | 15 | 14 | 13 | 13 |
| Force Mains | 9 | 9 | 8 | 8 |
| Total Sewage Collection System | <u>122</u> | <u>121</u> | <u>115</u> | <u>110</u> |
| <u>Support Facilities</u> | | | | |
| Floatables Control Sites | 10 | 10 | 10 | 10 |
| Biofilter Odor Control Sites | 8 | 8 | 8 | 8 |
| Rain Gauge Sites | 30 | 30 | 30 | 30 |
| Lakeview Dam | 1 | 1 | 1 | 1 |
| Total Support Facilities | <u>49</u> | <u>49</u> | <u>49</u> | <u>49</u> |
| Total Outlying Systems | <u><u>171</u></u> | <u><u>170</u></u> | <u><u>164</u></u> | <u><u>159</u></u> |
| | | | | |
| Acres of Land | | | | |
| <u>Operations</u> | | | | |
| Southerly Plant | 311.2 | 311.2 | 311.2 | 311.2 |
| Easterly Plant | 92.6 | 92.6 | 92.6 | 92.6 |
| Westerly Plant | 13.4 | 13.4 | 13.4 | 13.4 |
| <u>Administration</u> | | | | |
| District Administration | 2.6 | 2.6 | 2.6 | 2.6 |
| Environmental Maintenance and Services Center | 14.7 | 14.7 | 14.7 | 14.7 |
| Total Acres, Operations and Administration | <u><u>434.5</u></u> | <u><u>434.5</u></u> | <u><u>434.5</u></u> | <u><u>434.5</u></u> |

*Total interceptor sewers are in excess of 200 miles.

Source: Sewer District accounting, GIS data and engineering records.

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 45 | 45 | 45 | 44 | 43 | 42 |
| 22 | 22 | 21 | 21 | 20 | 19 |
| 17 | 17 | 17 | 17 | 17 | 17 |
| 9 | 9 | 7 | 6 | 6 | 7 |
| <u>93</u> | <u>93</u> | <u>90</u> | <u>88</u> | <u>86</u> | <u>85</u> |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> |
| <u>98</u> | <u>98</u> | <u>95</u> | <u>93</u> | <u>91</u> | <u>90</u> |
| <u>3.33</u> | <u>3.53</u> | <u>0</u> | <u>0.20</u> | <u>1.40</u> | <u>4.50</u> |
| 23 | 22 | 21 | 21 | 21 | 21 |
| 30 | 30 | 30 | 30 | 30 | 30 |
| 35 | 31 | 32 | 32 | 32 | 31 |
| 13 | 13 | 10 | 9 | 9 | 9 |
| 8 | 5 | 5 | 5 | 5 | 5 |
| <u>109</u> | <u>101</u> | <u>98</u> | <u>97</u> | <u>97</u> | <u>96</u> |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 8 | 8 | 8 | 8 | 8 | 8 |
| 30 | 30 | 29 | 28 | 28 | 28 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| <u>49</u> | <u>49</u> | <u>48</u> | <u>47</u> | <u>47</u> | <u>47</u> |
| <u>158</u> | <u>150</u> | <u>146</u> | <u>144</u> | <u>144</u> | <u>143</u> |
| 311.2 | 311.2 | 311.2 | 311.2 | 311.2 | 311.2 |
| 92.6 | 92.6 | 92.6 | 92.6 | 92.6 | 92.6 |
| 13.4 | 13.4 | 13.4 | 13.4 | 13.4 | 13.4 |
| 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| <u>14.7</u> | <u>14.7</u> | <u>14.7</u> | <u>14.7</u> | <u>14.7</u> | <u>14.7</u> |
| <u>434.5</u> | <u>434.5</u> | <u>434.5</u> | <u>434.5</u> | <u>434.5</u> | <u>434.5</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
HISTORICAL NUMBER OF CUSTOMER ACCOUNTS
LAST TEN YEARS**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Sewage Accounts:</u> | | | | |
| <u>Subdistrict 1</u> | | | | |
| Cleveland (2) | 118,317 | 118,571 | 118,702 | 118,800 |
| <u>Subdistrict 2</u> | | | | |
| Master Meter - Suburbs (1) (2) | 1 | 1 | 1 | 1 |
| Direct Service - Suburbs (2) | <u>206,097</u> | <u>205,828</u> | <u>205,199</u> | <u>204,413</u> |
| Subtotal | <u>206,098</u> | <u>205,829</u> | <u>205,200</u> | <u>204,414</u> |
| Total Sewage Accounts | <u>324,415</u> | <u>324,400</u> | <u>323,902</u> | <u>323,214</u> |
| Stormwater Only Accounts (3) | <u>21,020</u> | <u>21,193</u> | <u>21,276</u> | <u>21,621</u> |
| Total Customers | <u><u>345,435</u></u> | <u><u>345,593</u></u> | <u><u>345,178</u></u> | <u><u>344,835</u></u> |

(1) Prior to 2017, Master Meter communities were Village of Richfield and Summit County. Effective beginning of 2017, the Sewer District is no longer billing Summit County as a Master Meter community; billing is based on actual consumption by property. Village of Richfield is still a Master Meter community.

(2) Represents total accounts billed for sewage, stormwater fees, and wellwater.

(3) This represents the remainder of North Royalton that the Sewer District does not provide sewage services, Summit County customers where sewage fees were billed at Master Meters, and actual stormwater only accounts, such as parking lots and other properties that do not have water/sewage services.

Source: Sewer District accounting records.

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 118,958 | 119,325 | 120,031 | 122,204 | 123,722 | 124,288 |
| 1 | 1 | 1 | 3 | 3 | 3 |
| <u>203,799</u> | <u>203,248</u> | <u>202,767</u> | <u>189,234</u> | <u>189,112</u> | <u>188,730</u> |
| <u>203,800</u> | <u>203,249</u> | <u>202,768</u> | <u>189,237</u> | <u>189,115</u> | <u>188,733</u> |
| <u>322,758</u> | <u>322,574</u> | <u>322,799</u> | <u>311,441</u> | <u>312,837</u> | <u>313,021</u> |
| <u>22,094</u> | <u>20,533</u> | <u>20,723</u> | <u>35,152</u> | <u>-</u> | <u>-</u> |
| <u><u>344,852</u></u> | <u><u>343,107</u></u> | <u><u>343,522</u></u> | <u><u>346,593</u></u> | <u><u>312,837</u></u> | <u><u>313,021</u></u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
ANNUAL METERED BILLING QUANTITIES
LAST TEN YEARS
(IN THOUSANDS OF CUBIC FEET)**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>Subdistrict 1</u> | | | | |
| Cleveland | 1,404,411 | 1,426,142 | 1,434,227 | 1,459,042 |
| <u>Subdistrict 2</u> | | | | |
| Direct Service - Suburbs | 1,837,733 | 1,839,301 | 1,872,785 | 1,889,039 |
| Master Meter - Suburbs (1) | <u>10,427</u> | <u>9,412</u> | <u>8,804</u> | <u>9,420</u> |
| Subtotal | <u>1,848,160</u> | <u>1,848,713</u> | <u>1,881,589</u> | <u>1,898,459</u> |
| Total Service Area | <u><u>3,252,571</u></u> | <u><u>3,274,855</u></u> | <u><u>3,315,816</u></u> | <u><u>3,357,501</u></u> |

(1) For years 2012-2015, Consumption of Master Meter Suburbs is presented at 70%, 65%, 60%, and 55%; respectively, of their total consumption, which is the billing basis. Starting in 2017, Summit County is no longer billed as a Master Meter community; the billing is based on actual consumption by property. Village of Richfield is still a Master Meter community.

(2) In 2017, a one-time 1.5% increase in total MCFs was due to the conversion of quarterly to monthly billing cycle.

| <u>2019</u> | <u>2018</u> | <u>2017 (2)</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 1,575,484 | 1,622,406 | 1,701,704 | 1,684,932 | 1,668,505 | 1,715,359 |
| 1,926,416 | 1,936,856 | 2,046,806 | 1,921,167 | 1,884,506 | 1,892,128 |
| <u>9,240</u> | <u>9,822</u> | <u>8,812</u> | <u>97,367</u> | <u>112,489</u> | <u>131,691</u> |
| <u>1,935,656</u> | <u>1,946,678</u> | <u>2,055,618</u> | <u>2,018,534</u> | <u>1,996,995</u> | <u>2,023,819</u> |
| <u><u>3,511,140</u></u> | <u><u>3,569,084</u></u> | <u><u>3,757,322</u></u> | <u><u>3,703,466</u></u> | <u><u>3,665,500</u></u> | <u><u>3,739,178</u></u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SUMMARY OF SEWER REVENUES, EXPENSES, DEBT SERVICE AND
DEBT SERVICE COVERAGE
LAST TEN YEARS**

(In Thousands of Dollars)

| | 2023 | 2022 (5) | 2021 (4) | 2020 |
|--|-------------------|-------------------|-------------------|-------------------|
| Sewer Operating Revenues, Net | \$ 408,124 | \$ 389,883 | \$ 382,205 | \$ 352,075 |
| Non-Operating Sewer Revenues | 26,088 | 4,894 | 987 | 5,138 |
| Total Revenues | <u>434,212</u> | <u>394,777</u> | <u>383,176</u> | <u>357,213</u> |
| Sewer Operating Expenses (Exclusive of depreciation and Pension and OPEB) | 128,328 | 116,216 | 114,637 | 116,197 |
| Transfer to Rate Stabilization Account | - | - | - | - |
| Total Expenses | <u>128,328</u> | <u>116,216</u> | <u>114,720</u> | <u>116,197</u> |
| Net Revenues Available for Debt Service | <u>\$ 305,884</u> | <u>\$ 277,053</u> | <u>\$ 268,456</u> | <u>\$ 241,016</u> |
| Total Revenue Bond Debt Service (1), (2) | \$ 41,446 | \$ 43,753 | \$ 47,928 | \$ 48,997 |
| Coverage on Revenue Bond Debt Service | 7.38 | 6.33 | 5.60 | 4.92 |
| Total All Debt Service (1) | \$ 115,773 | \$ 110,298 | \$ 103,419 | \$ 96,921 |
| Coverage on Total Debt Service | 2.64 | 2.51 | 2.60 | 2.49 |

(1) Net Revenues are first used to pay debt service on Revenue Bonds and second to pay debt service on loans from the Ohio Water Development Authority (OWDA) and Water Pollution Control Loan Fund (WPCLF). The annual Debt Service Requirements on these obligations for the ten years ended December 31, 2023 were:

| | 2023 | 2022 | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|------------------|
| Revenue Bond Issues and Debt Service | | | | |
| \$68,280 Series 2005 (A) | \$ - | \$ - | \$ - | \$ - |
| \$126,055 Series 2007 (B) (F) (H) | - | - | - | - |
| \$336,930 Series 2010 (C) (G) | 4,634 | 4,634 | 4,634 | 4,634 |
| \$249,535 Series 2013 (D) (I) | - | 2,004 | 4,362 | 5,467 |
| \$350,570 Series 2014A (E) | 4,226 | 5,072 | 9,066 | 10,926 |
| \$68,460 Series 2014B (F) | - | - | - | - |
| \$25,015 Series 2016 (H) | 828 | 823 | 824 | 824 |
| \$241,595 Series 2017 (I) | 11,806 | 10,743 | 10,204 | 10,203 |
| \$245,005 Series 2019 (J) | 7,959 | 7,959 | 7,959 | 7,959 |
| \$244,895 Series 2020 (K) | 7,943 | 7,947 | 8,985 | 8,984 |
| \$114,295 Series 2021 (L) | 4,051 | 4,041 | 1,894 | - |
| Total Revenue Bond Issues and Debt Service | <u>41,446</u> | <u>43,753</u> | <u>47,928</u> | <u>48,997</u> |
| WPCLF Debt Service | <u>74,326</u> | <u>66,545</u> | <u>55,491</u> | <u>47,924</u> |
| Total All Debt Service | <u>\$ 115,773</u> | <u>\$ 110,298</u> | <u>\$ 103,419</u> | <u>\$ 96,921</u> |

(A) The Series 1995 Bonds were refunded on December 20, 2005 and replaced by the Series 2005 Bonds.

(B) The Series 2007 Bonds were issued on May 22, 2007.

(C) The Series 2010 Bonds were issued on November 17, 2010.

(D) The Series 2013 Bonds were issued on March 26, 2013.

(E) The Series 2014A Bonds were issued on December 18, 2014.

(F) The Series 2014B Bonds were issued on December 18, 2014 and refunded a portion of the Series 2007 Bonds.

(G) The Series 2010 Bonds interest has increased due to the BAB subsidy reduction from the recent sequester by Congress.

(H) The Series 2016 Bonds were issued on March 24, 2016 and refunded a portion of the Series 2007 Bonds.

(I) The Series 2017 Bonds were issued on September 20, 2017 and refunded a portion of the Series 2013 Bonds.

(J) The Series 2019 Bonds were issued on September 10, 2019 and refunded a portion of the Series 2010 Bonds.

(K) The Series 2020 Bonds were issued on February 5, 2020 and refunded a portion of the Series 2014 Bonds.

(L) The Series 2021 Bonds were issued on July 29, 2021 and refunded a portion of the Series 2013 and 2014 Bonds.

(2) Bonds and loans are secured by a pledge of and lien on revenues of the Sewer District, after payment of operating and maintenance costs, and on monies and investments comprising the Construction Funds and Revenue Bond Debt Service Deposit. Loans are subordinate to the Bonds.

(3) Per bond covenants, sewer revenues and expenses are only used to calculate debt service ratios.

(4) Restated 2021 to comply with GASB 87.

(5) Restated 2022 to comply with GASB 96.

Source: Sewer District accounting records.

| 2019 | 2018 | 2017 (3) | 2016 (3) | 2015 (3) | 2014 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 340,213 | \$ 326,059 | \$ 299,380 | \$ 286,783 | \$ 259,683 | \$ 239,185 |
| 8,449 | 5,138 | 3,315 | 3,397 | 1,353 | 1,290 |
| <u>348,662</u> | <u>331,197</u> | <u>302,695</u> | <u>290,180</u> | <u>261,036</u> | <u>240,475</u> |
| 117,914 | 121,864 | 131,755 | 118,992 | 104,480 | 102,198 |
| - | - | - | - | 6,000 | 6,000 |
| <u>117,914</u> | <u>121,864</u> | <u>131,755</u> | <u>118,992</u> | <u>110,480</u> | <u>108,198</u> |
| <u>\$ 230,748</u> | <u>\$ 209,333</u> | <u>\$ 170,940</u> | <u>\$ 171,188</u> | <u>\$ 150,556</u> | <u>\$ 132,277</u> |
| \$ 44,679 | \$ 51,163 | \$ 62,907 | \$ 63,428 | \$ 42,425 | \$ 28,774 |
| 5.16 | 3.80 | 2.72 | 2.70 | 3.55 | 4.60 |
| \$ 94,420 | \$ 95,770 | \$ 107,612 | \$ 111,612 | \$ 94,104 | \$ 78,180 |
| 2.44 | 2.03 | 1.59 | 1.53 | 1.60 | 1.69 |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------|------------------|-------------------|-------------------|------------------|------------------|
| \$ - | \$ - | \$ - | \$ 14,648 | \$ 7,517 | \$ 7,522 |
| - | - | 338 | 3,373 | 4,457 | 7,858 |
| 6,755 | 13,335 | 13,360 | 13,367 | 13,363 | 13,394 |
| 952 | 952 | 12,172 | 12,172 | 6,086 | - |
| 18,301 | 19,485 | 30,182 | 16,182 | 8,091 | - |
| 6,209 | 6,225 | 3,205 | 3,205 | 2,911 | - |
| 824 | 823 | 3,650 | 481 | - | - |
| 10,201 | 10,343 | - | - | - | - |
| 1,437 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>44,679</u> | <u>51,163</u> | <u>62,907</u> | <u>63,428</u> | <u>42,425</u> | <u>28,774</u> |
| <u>49,741</u> | <u>44,607</u> | <u>44,705</u> | <u>48,184</u> | <u>51,678</u> | <u>49,406</u> |
| <u>\$ 94,420</u> | <u>\$ 95,770</u> | <u>\$ 107,612</u> | <u>\$ 111,612</u> | <u>\$ 94,103</u> | <u>\$ 78,180</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SEWAGE SERVICE RATES
RATE HISTORY - LAST TEN YEARS**

| Fiscal Years During Which Rates Were Effective | Standard Fixed Fee (3) | Homestead Fixed Fee (4) | SUBDISTRICT 1 | | | | SUBDISTRICT 2 | | | |
|--|------------------------------|-------------------------------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|
| | | | Standard | | Homestead (2) | | Standard | | Homestead (2) | |
| | | | Rate (1) | % Change | Rate (1) | % Change | Rate (1) | % Change | Rate (1) | % Change |
| 2014 | \$6.60 | \$ - | \$62.15 | 12.1 | \$37.35 | 12.0 | \$64.55 | 11.0 | \$38.95 | 10.8 |
| 2015 | 6.90 | - | 69.65 | 12.1 | 41.85 | 12.0 | 71.75 | 11.2 | 43.25 | 11.0 |
| 2016 | 7.20 | - | 78.05 | 12.1 | 46.85 | 11.9 | 79.85 | 11.3 | 48.05 | 11.1 |
| 2017 (5) | 10.80 | 6.45 | 83.10 | 6.5 | 49.85 | 6.4 | 84.60 | 5.9 | 50.85 | 5.8 |
| 2018 (5) | 14.85 | 8.85 | 88.40 | 6.4 | 53.05 | 6.4 | 89.60 | 5.9 | 53.85 | 5.9 |
| 2019 (5) | 19.05 | 11.40 | 94.15 | 6.5 | 56.50 | 6.5 | 95.05 | 6.1 | 57.10 | 6.0 |
| 2020 (5) | 23.85 | 14.25 | 100.15 | 6.4 | 60.10 | 6.4 | 100.75 | 6.0 | 60.50 | 6.0 |
| 2021 (5) | 29.10 | 17.40 | 106.50 | 6.3 | 63.90 | 6.3 | 106.80 | 6.0 | 64.10 | 6.0 |
| 2022 (5) | 30.30 | 18.15 | 110.95 | 4.2 | 66.55 | 4.1 | 110.95 | 3.9 | 66.55 | 3.8 |
| 2023 (5) | 31.50 | 18.90 | 115.60 | 4.2 | 69.35 | 4.2 | 115.60 | 4.2 | 69.35 | 4.2 |

- (1) Per thousand cubic feet (MCF) of water consumed.
- (2) These rates were first established in the 1991 fiscal year.
- (3) A Fixed Fee per quarterly bill was established in the 2012 fiscal year.
- (4) Starting 2017 fiscal year, a homestead fixed rate was established.
- (5) Starting 2017 fiscal year, billing changed from quarterly to monthly billing. The fixed fee is calculated at a quarterly rate for comparison to prior years.

Industrial Waste Surcharge
An additional charge is billed to industrial and other types of customers discharging wastewater which contains substances requiring more extensive treatment than effluent from residential customers. The amount of this Industrial Waste Surcharge is calculated in accordance with formulas set forth in the Rate Resolution which take into account concentrations of suspended solids, biological oxygen demand and chemical oxygen demand based on waste loading determined by analysis or otherwise.

Minimum Quarterly Billing
Each customer of the Sewer District is charged a minimum quarterly amount for sewage service equal to the class of service rate applicable to the metered water usage of 1,000 cubic feet (7,480 gallons). Minimum Quarterly Billing was discontinued starting in 2012.

Source: Sewer District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
STORMWATER FEE RATES
RATES AS OF DECEMBER 31, 2023**

| Type of property | Tier Type | Impervious surface area (sq. ft.)* | 2023 (1) (3) | 2022 (1) (3) | 2021 (1) | 2020 (1) | 2019 (1) | 2018 (1) |
|------------------|--|------------------------------------|--------------|--------------|----------|----------|----------|----------|
| Residential | Tier 1 | Less than 2,000 | \$3.36 | \$3.22 | \$3.09 | \$3.09 | \$3.09 | \$3.09 |
| | Tier 2/Base | 2,000-3,999 | \$5.60 | \$5.37 | \$5.15 | \$5.15 | \$5.15 | \$5.15 |
| | Tier 3 | 4,000 or more | \$10.07 | \$9.66 | \$9.27 | \$9.27 | \$9.27 | \$9.27 |
| | Homestead/Affordability | Any size | \$2.25 | \$2.16 | \$2.07 | \$2.07 | \$2.07 | \$2.07 |
| Non-residential | All | Per ERU, or 3,000 square feet | \$5.60 | \$5.37 | \$5.15 | \$5.15 | \$5.15 | \$5.15 |
| | Educational Economically Disadvantaged (2) | Per ERU, or 3,000 square feet | \$2.25 | \$2.16 | \$2.07 | \$2.07 | \$2.07 | \$2.07 |

All fees above are per month.

* Impervious surface area (estimated) includes hard surfaces on your property such as rooftops, driveways, or decks/patios which contribute to increasing stormwater runoff.

(1) The fee is based on Equivalent Residential Units or ERU which equals 3,000 square feet of impervious area.

(2) Educational Economically Disadvantaged Stormwater Fee – The Educational Economically Disadvantaged Stormwater Fee may be available to all public and private primary, elementary, and secondary schools, school districts, or school systems under the control of a common entity that are recognized in the State of Ohio and can demonstrate that at least twenty-five (25) percent of their current students are eligible to participate in the Free Lunch Program under the Richard B. Russell National School Lunch Act (42 U.S.C. § 1751, et seq.).

(3) The current Board approved fee rate increase of 4.2% annual began in 2022 through 2026.

Source: Sewer District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CAPITAL IMPROVEMENT PROGRAM
USES AND SOURCES OF FUNDS
FOR THE YEARS ENDING DECEMBER 31, 2024 THROUGH 2033
(In Thousands of Dollars)**

| | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>USES OF FUNDS</u> | | | | | |
| Sewage Treatment Plant Improvements | \$ 17,264,164 | \$ 35,724,064 | \$ 21,273,931 | \$ 19,794,147 | \$ 11,921,956 |
| Interceptors/Rehabilitation | 9,751,014 | 20,832,088 | 13,334,329 | 6,931,655 | 10,071,690 |
| Combined Sewer Overflow Control Program | 111,343,118 | 175,654,407 | 159,415,458 | 242,131,206 | 166,620,878 |
| District-wide Building Improvements and Other Improvements | 52,665,991 | 49,528,565 | 33,224,893 | 35,044,608 | 39,174,343 |
| Information Technology and Other Minor Equipment | 19,515,538 | 13,802,000 | 14,216,060 | 14,642,542 | 15,081,818 |
| Total | <u>\$ 210,539,825</u> | <u>\$ 295,541,124</u> | <u>\$ 241,464,671</u> | <u>\$ 318,544,158</u> | <u>\$ 242,870,685</u> |
| <u>SOURCES OF FUNDS</u> | | | | | |
| WPCLF (1) | \$ 51,897,192 | \$ 24,853,631 | \$ 49,957,103 | \$ 143,871,182 | \$ 88,167,017 |
| Grants | 1,000,000 | 1,000,000 | - | - | - |
| Internally Generated Funds/Reserves | 157,642,633 | 269,687,493 | 191,507,568 | 174,672,976 | 154,703,668 |
| Total | <u>\$ 210,539,825</u> | <u>\$ 295,541,124</u> | <u>\$ 241,464,671</u> | <u>\$ 318,544,158</u> | <u>\$ 242,870,685</u> |

(1) Subject to appropriation and allocation and can not be expected with any degree of certainty.

| | 2029 | 2030 | 2031 | 2032 | 2033 | TOTAL |
|----|---------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| \$ | 29,486,741 | \$ 41,637,356 | \$ 21,167,384 | \$ 1,685,120 | \$ 6,547,550 | \$ 206,502,413 |
| | 6,514,499 | 6,455,173 | 10,409,793 | 2,684,438 | 11,647,898 | 98,632,577 |
| | 74,399,852 | 64,368,634 | 35,817,851 | 8,367,412 | 14,231,707 | 1,052,350,523 |
| | 31,030,640 | 30,931,665 | 31,756,298 | 30,149,137 | 27,252,442 | 360,758,582 |
| | <u>15,534,273</u> | <u>16,000,301</u> | <u>16,480,310</u> | <u>16,974,719</u> | <u>17,483,961</u> | <u>159,731,522</u> |
| \$ | <u><u>156,966,005</u></u> | <u><u>\$ 159,393,129</u></u> | <u><u>\$ 115,631,636</u></u> | <u><u>\$ 59,860,826</u></u> | <u><u>\$ 77,163,558</u></u> | <u><u>\$ 1,877,975,617</u></u> |
| \$ | 59,058,187 | \$ 21,786,202 | \$ 11,322,383 | \$ - | \$ - | \$ 450,912,897 |
| | - | - | - | - | - | 2,000,000 |
| | <u>97,907,818</u> | <u>137,606,927</u> | <u>104,309,253</u> | <u>59,860,826</u> | <u>77,163,558</u> | <u>1,425,062,720</u> |
| \$ | <u><u>156,966,005</u></u> | <u><u>\$ 159,393,129</u></u> | <u><u>\$ 115,631,636</u></u> | <u><u>\$ 59,860,826</u></u> | <u><u>\$ 77,163,558</u></u> | <u><u>\$ 1,877,975,617</u></u> |

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Prepared by the Department of Finance

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Northeast Ohio

Regional Sewer District

Northeast Ohio Regional Sewer District

**Single Audit Reports
For the Year Ended December 31, 2023**

Northeast Ohio Regional Sewer District

For the Year Ended December 31, 2023

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Northeast Ohio Regional Sewer District
Cleveland, Ohio

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, the financial statements of the business-type activities of the Northeast Ohio Regional Sewer District (the “District”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated June 28, 2024, wherein we noted that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as disclosed in Note 3.

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.

Board of Trustees
Northeast Ohio Regional Sewer District

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.

Ciampi & Panichi, Inc.

Cleveland, Ohio
June 28, 2024

**Independent Auditor’s Report on Compliance for Each Major Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Trustees
Northeast Ohio Regional Sewer District
Cleveland, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northeast Ohio Regional Sewer District’s (the “District”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District’s major federal programs for the year ended December 31, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 each 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

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 generally accepted auditing standards, *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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 a 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

Board of Trustees
Northeast Ohio Regional Sewer District

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.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated June 28, 2024, which contained an unmodified opinion on those financial statements, wherein we noted that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as disclosed in Note 3. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 28, 2024

Northeast Ohio Regional Sewer District

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|--|--|-------------------------|---------------------------------|
| U.S. Department of the Treasury: | | | |
| Pass-Through Program from Ohio Department of Development: | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | DEV--2021 - 181742 | \$ <u>4,157,507</u> |
| Total U.S. Department of Treasury | | | 4,157,507 |
| U.S. Environmental Protection Agency: | | | |
| Pass-Through Program from Ohio Environmental Protection Agency: | | | |
| Clean Water State Revolving Fund Cluster: | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | 8051 | 5,561,820 |
| | 66.458 | 8796 | 330,620 |
| | 66.458 | 8826 | 192,678 |
| | 66.458 | 8972 | 68,716 |
| | 66.458 | 9082 | 94,290 |
| | 66.458 | 9100 | 922,049 |
| | 66.458 | 9133 | 2,212,670 |
| | 66.458 | 9193 | 154,485 |
| | 66.458 | 9325 | 2,073,667 |
| | 66.458 | 9361 | 125,252 |
| | 66.458 | 9420 | 2,305,923 |
| | 66.458 | 9654 | 45,130,409 |
| | 66.458 | 9807 | <u>19,218,849</u> |
| Total U.S. Environmental Protection Agency, Clean Water State Revolving Fund Cluster, Capitalization Grants for Clean Water State Revolving Funds | | | 78,391,428 |
| Direct Award: | | | |
| Great Lakes Program | 66.469 | N/A | <u>3,652,167</u> |
| Total U.S. Environmental Protection Agency | | | <u>82,043,595</u> |
| Total expenditures of federal awards | | | \$ <u>86,201,102</u> |

The accompanying notes are an integral part of this schedule.

Northeast Ohio Regional Sewer District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Note 1: Significant Accounting Policies

Basis of Presentation and Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of the District’s federal award programs. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included on this schedule. The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

Note 2: Indirect Cost Rate

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

Northeast Ohio Regional Sewer District

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

1. Summary of Auditor's Results

| | | |
|--------------|--|---|
| (d)(I)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(I)(ii) | Were there any material internal control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(I)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(I)(iii) | Was there any material noncompliance reported at the financial statement level (GAGAS)? | No |
| (d)(I)(iv) | Were there any material internal control weaknesses reported for the major federal programs? | No |
| (d)(I)(iv) | Were there any significant deficiencies in internal control reported for the major federal programs? | No |
| (d)(I)(v) | Type of Major Program Compliance Opinion | Unmodified |
| (d)(I)(vi) | Are there any reportable findings under 2 CFR Section 200.516(a)? | No |
| (d)(I)(vii) | Major Programs | COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (AL No 21.027); Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds (AL No. 66.458); Great Lakes Program (AL No. 66.469) |
| (d)(I)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 2,586,033 Type B: All others |
| (d)(I)(ix) | Low Risk Auditee? | Yes |

2. Findings Related To the Financial Statements Required To Be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

Northeast Ohio Regional Sewer District

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended December 31, 2023

No prior year audit findings or questioned costs.

OHIO AUDITOR OF STATE KEITH FABER



**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CUYAHOGA 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 9/17/2024

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