

2021 Annual Comprehensive Financial Report



**Northeast Ohio
Regional Sewer District**

For the years ended December 2021 and December 2020
A political subdivision of the State of Ohio



**Northeast Ohio
Regional Sewer District**

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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, 2021 through December 31, 2021. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 02, 2022








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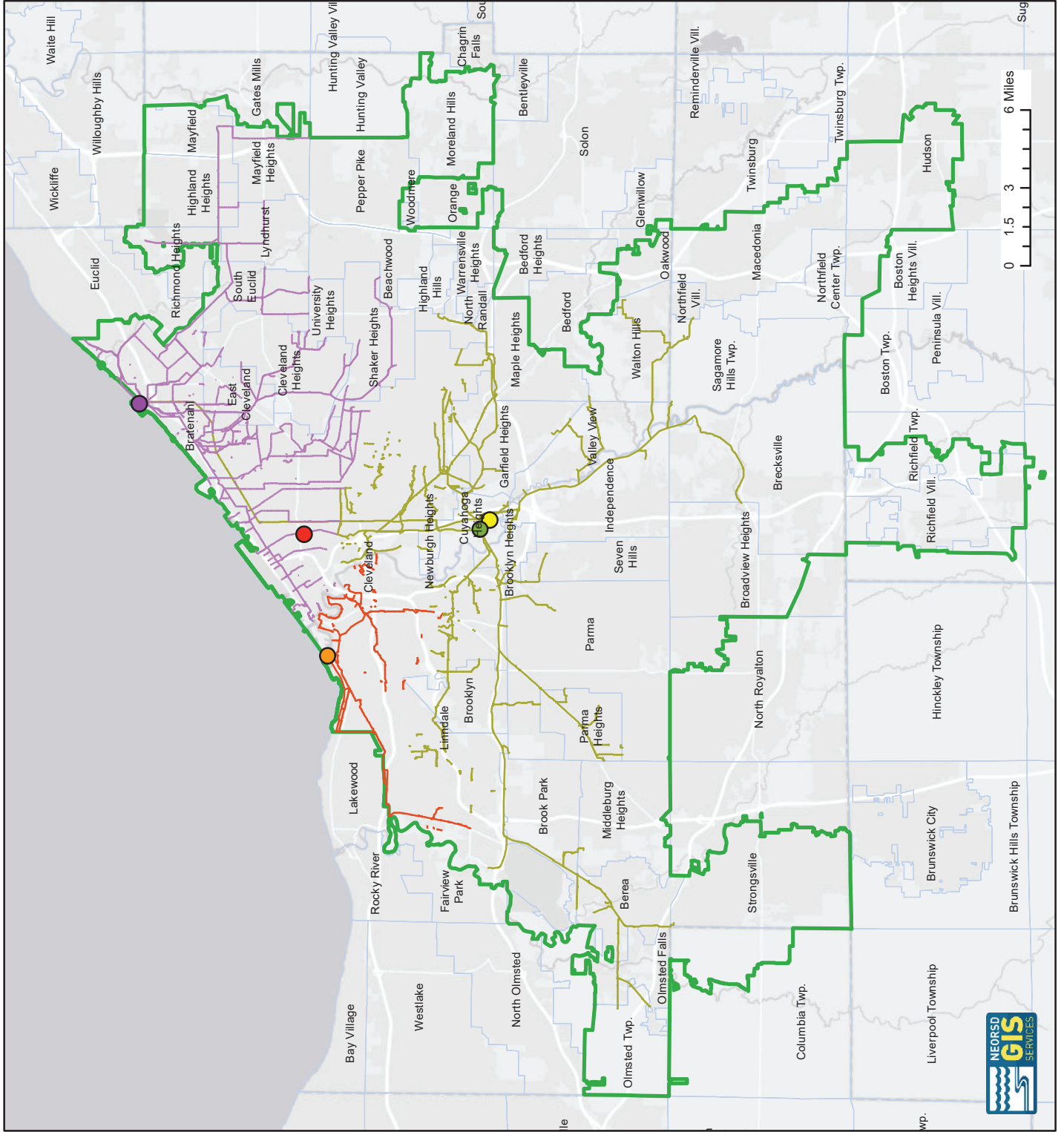


NEORSD Wastewater Service Area Map

Northeast Ohio Regional Sewer District



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



Northeast Ohio Regional Sewer District

A Political Subdivision of the State of Ohio

2021 Annual Comprehensive Financial Report
For the Years Ended December 31, 2021 and 2020

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, 2021 AND 2020

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NORTHEAST OHIO REGIONAL SEWER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

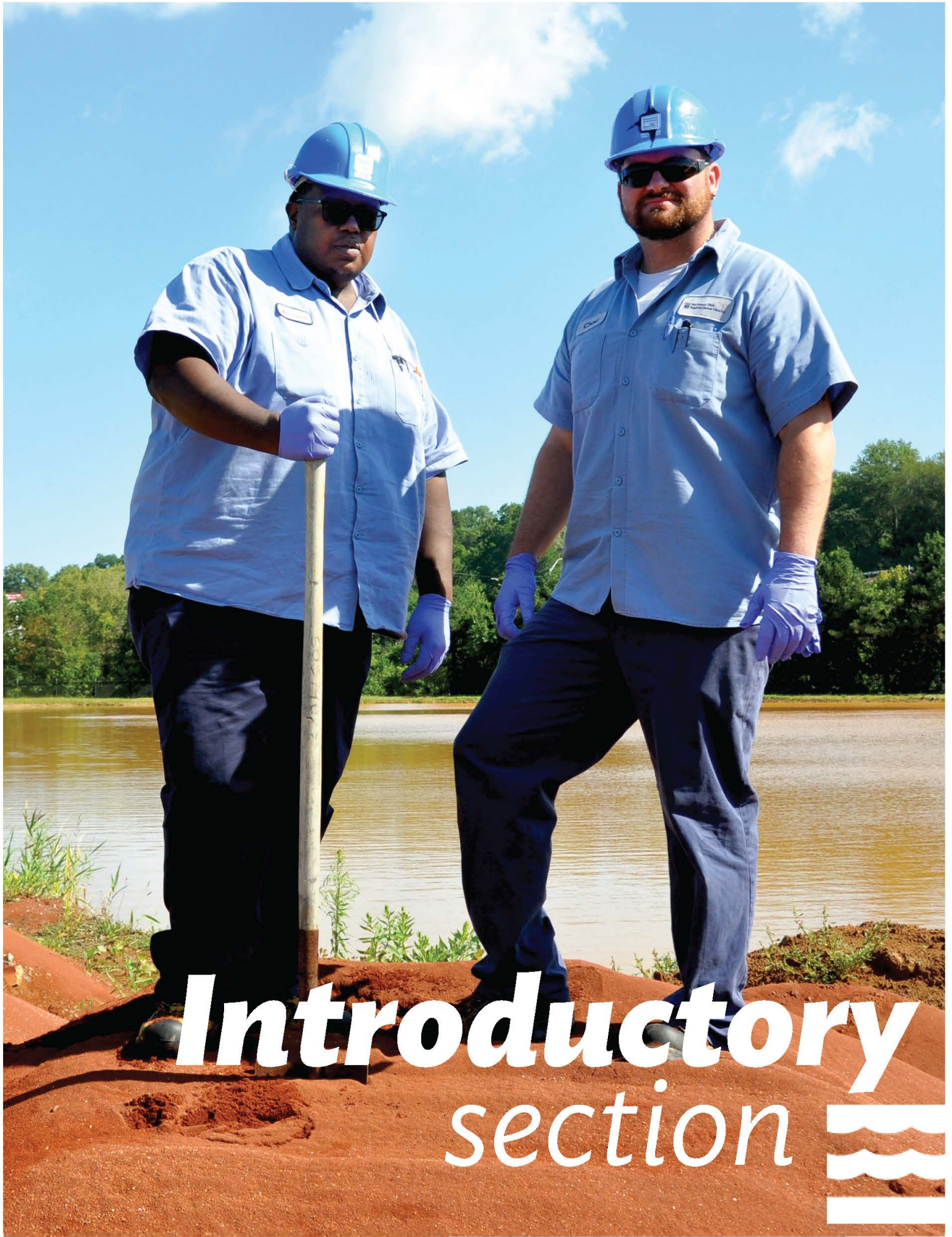
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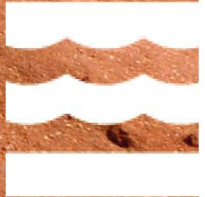
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**Northeast Ohio
Regional Sewer District**



***Introductory
section***





Northeast Ohio Regional Sewer District

June 30, 2022

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

State law requires that local governments reporting on Generally Accepted Accounting Principles (GAAP) basis to file within 150 days of the close of each fiscal year a complete set of financial statements. These financial statements are required to be presented in conformity with GAAP 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, 2021 and 2020.

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, 2021 have been audited by Ciuni & Panichi, Inc. The Sewer District's financial statements for the year ended December 31, 2020 have been audited by the Ohio Auditor of State. 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, 2021 and 2020, 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, 2021 and 2020 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 355 square miles, 330 miles of sewers, and a 476-mile regional stormwater system. The Sewer District encompasses the City of Cleveland and all or portions of 61 suburban communities in Cuyahoga, Lake, Lorain, and Summit Counties. The stormwater service area includes 56 communities. The area contains a residential service population 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 the "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 (the "Suburban Council") comprised of representatives of all suburban communities served by the system; (iii) one 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

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 90 of this report, along with the accompanying Notes to Supplementary Information for additional budgetary information.

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 close 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 2021 (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 4.1%. Cuyahoga County's unemployment rate was 0.5% higher than the unemployment rate for the State of Ohio (3.6%) and 0.4% higher 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 produced 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 \$2.3 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 2022 to 2026, primarily for improvements to our Easterly Wastewater Treatment Plant and our CSO long-term control plan. This includes approximately \$151.4 million for the plants, \$900.6 million for the CSO projects, \$132.2 million for the collection system and building improvements and \$40.4 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 \$1,009,375,000. The debt, including applicable bond premium costs and discounts, is \$1,041,767,047. The Sewer District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2021, the outstanding loan balance was \$906,309,873 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 6 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 6 to the financial statements.

In 2013, the Sewer District issued \$249,535,000 Wastewater Improvement Revenue Bonds, Series 2013, 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 6 to 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 6 to 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 6 to 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 6 to 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 6 to 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 6 to 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 6 to the financial statements.

MAJOR INITIATIVES

2021 Awards

During 2021, the Sewer District received awards for 2020 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 2020.

The Westerly Wastewater Treatment Plant earned Peak Performance Silver awards that recognize facilities with no more than five violations per calendar year. The Easterly and Southerly Wastewater Treatment Plants earned Peak Performance Gold awards that recognize facilities with no permit violations for the entire calendar year. Awards for 2021 performance have not been announced as of the date of this report.

During 2021, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the Sewer District for the fifteenth time for its 2021 Budget.

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 2021 was 332. The BOP spending for 2021 in construction and stormwater for 2021 was \$49 million (MBE \$13.6M, SBE \$18.5M and WBE \$16.9M). 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 product 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 over 3,381 registered suppliers with 217 new vendors that registered in 2021.

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 great HR customer service to our employees
- Maintain legal and organizational compliance
- Attract top talent through innovative recruitment strategies
- Embrace diversity and encourage inclusion
- Engage employee through awards and recognition

The following are 2021 highlights and successes in each area:

❖ **Enhance Workforce Effectiveness Through Training and Development**

- Provided training and support for active apprentices and employees working toward their Ohio State Apprenticeship through the Ohio State Apprenticeship Council (OSAC)
- Commencement of the Maintenance Training Program for nine (9) newly hired training apprentices
- Trained and supported Operator trainees at various stages of the Wastewater Plant Operator in Training Program
- Approximately 46 Sewer District employees participated in Tuition Assistance Program (TAP) totaling \$211,697
- Completed extensive analysis of leadership skill gaps to update and refresh leadership training for future senior leaders
- Utilized a suite of coaches for customized leadership development support for six (6) high potential leaders

❖ **Provide Great HR Customer Service to Our Employees:**

- Continued to evolve our Human Resources Business Partner (HRBP) service delivery model ensuring responsive and reliable support

- Expanded the options for use of the HR-Direct phone line and email as a resource for employees to find HR related information and answers to questions
- Adapted our general COVID response, policy development and employee support as COVID risk rose and fell throughout the year
- Expanded our Flexible Work Arrangement policy to include hybrid remote work

❖ **Maintain legal and organizational compliance**

- Completed Career Pathways for Watersheds and Finance departments which provides clarity for employees when they are considering career advancement opportunities, while supporting a legally compliant pay structure

❖ **Attract Top Talent Through Innovative Recruitment Strategies**

- Filled a total 69 positions with external candidates
- Promoted and transferred 92 internal employees
- Participated in both virtual and in person recruiting activities
- Successfully recruited and onboarded for the new Maintenance Training Program cohort which occurs every 4 years

❖ **Embrace Diversity and Encourage Inclusion**

- Ensured that 100% of interview panels met diversity requirements, i.e., age, gender ethnicity, and department differentiation. Trained non-managerial roles on interview techniques to ensure a broad pool of interviewees are available

❖ **Engage Employees through Awards & Recognition**

- Conducted quarterly Employee Recognition Awards programs that recognized 182 employees from Q1 2021 through Q3 2021
- Held the Sewer District's second virtual Service Awards celebration including a video production, honoree gifts, and banners at the plants. The program honored 329 employees for retiring or achieving service milestones, in addition, Frank Greenland Director, Watersheds received the Lifetime Achievement Award

CSO Long-Term Control Plan

The Sewer District has responsibility for combined sewer overflows within its service area. The Sewer District holds an 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 (CSOs) 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 National Pollution Discharge Elimination System (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 2021, the Sewer District achieved full activation of Control Measure 8 with the completion of the Doan Valley Tunnel (DVT). This tunnel system in combination with the previously completed Euclid Creek Tunnel and Dugway Storage Tunnel systems will control over 1.1 billion gallons of CSO in a typical year. The Sewer District also continued to advance construction of the Westerly Storage Tunnel (WST), the fourth of seven large-scale tunnels to be constructed under the Consent Decree. This tunnel system when complete will have the capacity to store 36 million gallons of combined sewage for treatment at the Sewer District's Westerly Wastewater Treatment Plant controlling approximately 250 million gallons of CSO in a typical year. Additionally, the Sewer District commenced the construction of the fifth large-scale tunnel, the Shoreline Storage Tunnel, and continued to advance the design of the Southerly Storage Tunnel, the sixth of the seven large scale tunnels. 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 24 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. The post-construction performance monitoring and modeling for these 9 projects was completed in 2021.

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 design of upgrades to the existing Westerly CSO Treatment Facility (CSOTF) with chemically enhanced high-rate treatment and disinfection (CEHRT) for further treatment of CSO 002, the third largest of the Sewer District's CSOs, was completed in 2021 and commenced construction in April 2022.

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 to 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 has been utilizing 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 in order 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 over \$5 billion 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 has restarted the Stormwater Program and resumed billing in July of 2016. The anticipated yearly estimated revenue from the Stormwater Program is over \$44 million.

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 first full year of the plan.

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 for 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, 2020. This was the 26th 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

2020 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, 2020

Christopher P. Morill

Executive Director/CEO



**Northeast Ohio
Regional Sewer District**

**2021 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

January 01, 2021

Christopher P. Morill

Executive Director

**NORTHEAST OHIO REGIONAL SEWER
DISTRICT TABLE OF ORGANIZATION
DECEMBER 31, 2021**

BOARD OF TRUSTEES



Darnell Brown
Board President



Ronald D. Sulik
Vice President



Mayor Timothy DeGeeter
Secretary



Mayor Jack Bacci



Mayor Samuel J. Alai



Sharon A. Dumas



Terry Joyce

OFFICERS



Kyle Dreyfuss-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer
74 employees



James Bunsey
Chief Operating Officer
441 employees



Eric Luckage
Chief Legal Officer
11 employees



Constance T. Haqq
Chief Administrative
Officer and Acting
Director of Human
Resources
52 employees

DIRECTORS



Devona Marshall
Director of Engineering
and Construction
42 employees



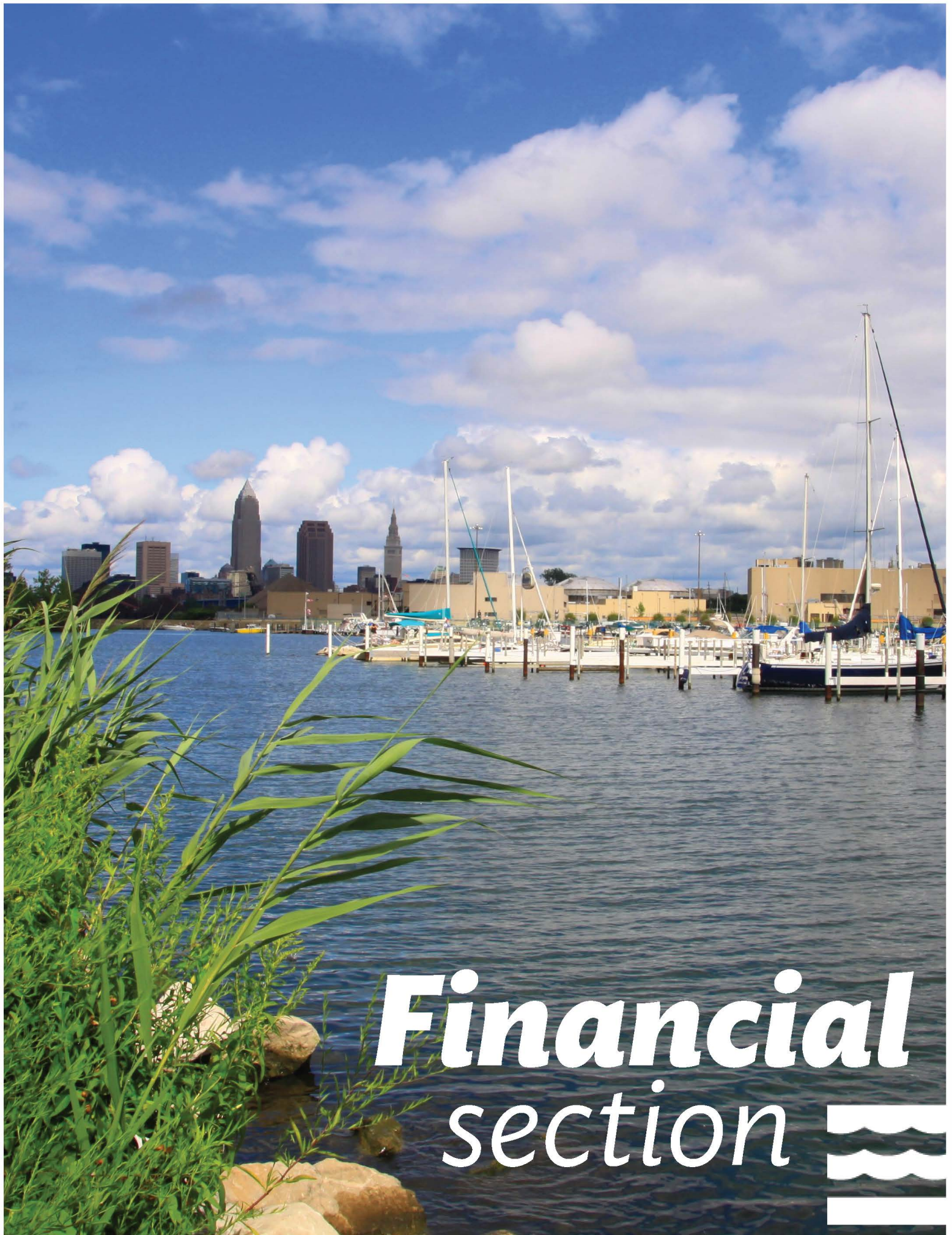
Francis P. Greenland
Director of
Watershed Programs
118 employees



Mohan Kurup
Director of
Information Technology
32 employees



Francis G. Foley
Director of
Operations and Maintenance
339 employees



***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 year ended December 31, 2021, 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, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the District as of December 31, 2020 were audited by other auditors whose report dated June 24, 2021 expressed an unmodified opinion on those statements.

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 90 through 92 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 30, 2022, 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 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 & Parricelli, Inc.

Cleveland, Ohio
June 30, 2022

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, 2021, 2020 and 2019. 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 \$1,860,839,203.
- Net position increased by \$169,794,858.
- Net investment in capital assets increased by \$25,567,833.
- Unrestricted net position increased by \$143,241,251.
- Retirement of debt principal was \$178,079,765, of which \$128,125,000 was for the defeasance of a portion of 2013 and 2014 bonds.
- Operating revenues increased by \$29,850,025.
- Operating expenses decreased by \$60,912,570.

Overview of the Financial Statements

This discussion and analysis are 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 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 2021, 2020 and 2019, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

Condensed Statements of Net Position
December 31,
(In Thousands)

	2021	2020	2019
<u>Assets</u>			
Current Assets	\$ 647,706	\$ 599,940	\$ 509,940
Capital Assets, Net	3,152,798	3,074,221	2,973,767
Other Noncurrent Assets	103,969	48,242	42,844
Total Assets	3,904,473	3,722,403	3,526,551
<u>Deferred Outflows of Resources</u>			
Pension	7,423	11,693	30,377
OPEB	3,545	8,634	5,029
Deferred Charge on Refunding	42,808	40,177	25,613
Asset Retirement Obligation	101	244	367
Total Deferred Outflows of Resources	53,877	60,748	61,386
Total Assets and Deferred Outflows of Resources	3,958,350	3,783,151	3,587,937
<u>Liabilities</u>			
Current Liabilities	111,056	103,514	109,736
Long-Term Debt	1,889,039	1,840,696	1,735,517
Net Pension Liability	52,833	70,790	97,079
Net OPEB Liability	-	52,776	49,956
Long-Term Asset Retirement Obligation	80	417	490
Total Liabilities	2,053,008	2,068,193	1,992,778
<u>Deferred Inflows of Resources</u>			
Pension	23,576	15,950	2,563
OPEB	20,927	7,964	745
Total Deferred Inflows of Resources	44,503	23,914	3,308
Total Liabilities and Deferred Inflows of Resources	2,097,511	2,092,107	1,996,086
<u>Net Position</u>			
Net Investment in Capital Assets	1,258,994	1,233,426	1,231,162
Restricted - Stormwater Community Cost-Share	31,470	30,484	25,911
Unrestricted	570,375	427,134	334,778
Total Net Position	\$ 1,860,839	\$ 1,691,044	\$ 1,591,851

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

The Sewer District adopted Governmental Accounting Standards Board 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 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 \$1,860,839,203 as of December 31, 2021, of which \$1,258,993,568 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 related debt outstanding used to fund these asset acquisitions.

During 2021, net position increased by \$169,794,858. Most of this increase was due to the following:

- Net capital assets increased by \$78,576,954 due to construction in progress and additions to the sewer system and wastewater treatment systems.
- A net OPEB asset of \$6,804,636 was recognized at December 31, 2021 and the net pension asset increased by \$413,984. The Sewer District's deferred inflows of resources for OPEB increased by \$12,963,097 and the Net OPEB Liability decreased \$52,775,589. Decreases to deferred outflows of resources for OPEB were \$5,089,113. The Sewer District is required under GASB 75 to recognize its proportionate share of the OPERS net OPEB liability or asset. OPERS reported a \$1.8 billion OPEB asset as compared to a \$13.8 billion OPEB liability in the prior year. In 2020 OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees. These changes are effective January 1, 2022, and include changes to base allowance and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances.
- Total long-term obligations decreased by \$22,726,958. There was a \$17,957,401 decrease for net pension liability. There was a decrease of \$52,775,589 for the net OPEB liability due to change in OPERS proportionate share, as explained in the previous paragraph. These decreases were slightly offset by the increase in long-term debt, specifically an increase in State revolving loans due to favorable interest rates.
- Deferred inflows of resources related to pension increased by \$7,626,140 and the deferred outflows of resources for pension decreased by \$4,269,536. The Sewer District's deferred outflows of resources for asset retirement obligations decreased by \$143,161 and the liability related to AROs decreased by \$389,275 due to change in assumptions.

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

During 2020, net position increased by \$99,192,940. Most of this increase was due to the following:

- Net capital assets increased by \$100,454,529 due to construction in progress and additions to the sewer system and wastewater treatment systems.
- Total long-term obligations increased by \$81,635,939. Additions of \$244,895,000 were for 2020 wastewater revenue refunding bonds, \$107,409,839 were for WPCLF. There was a \$26,288,204 decrease for net pension liability. There was an increase of \$2,819,266 for the net OPEB liability. The reductions were for the repayment of debt principal on revenue bonds and WPCLF in the amount of \$47,872,511, and \$208,720,000 for the defeasance of a portion of Series 2014 bonds.
- Deferred inflows of resources related to pension increased by \$13,387,475. The net pension asset increased by \$509,447 and the deferred outflows of resources for pension decreased by \$18,684,297.
- The Sewer District’s deferred inflows of resources for OPEB increased by \$7,218,538. The Net OPEB Liability increased \$2,819,266. Increases to deferred outflows of resources for OPEB were \$3,604,913.
- The Sewer District’s deferred outflows of resources for asset retirement obligations decreased by \$123,057.

Due to the COVID-19 pandemic, collection rates and billed water consumption were affected, and those factors have been incorporated into our 2021 Budget. For 2020, it was noted that our collection rate was 94% instead of the annual average of 96%. Consumption also has reduced by 5% versus the average annual 2% decline. The Sewer District has been closely monitoring all financial aspects from the effects of COVID-19 and will continue to monitor and adjust our operations as needed.

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 2021, 2020 and 2019.

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

	2021	2020	2019
<u>Operating Revenues, Net</u>			
Sewer and Stormwater Service Fees:			
Billing Agents			
City of Cleveland	\$ 387,061	\$ 357,783	\$ 348,360
Other Billing Agents	7,459	6,894	6,534
Total Billing Agents	394,520	364,677	354,894
Direct Billed Sewer and Stormwater Service Fees	29,785	30,158	28,538
Total Sewer and Stormwater Service Fees	\$ 424,305	\$ 394,835	\$ 383,432

continued

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

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

	2021	2020	2019
Other Operating Revenues:			
Septic Tank and Municipal Sludge Fees	\$ 752	\$ 697	\$ 673
Miscellaneous	1,563	1,237	942
Total Other Operating Revenue	2,315	1,934	1,615
Total Operating Revenues, Net	426,620	396,769	385,047
<u>Non-Operating Revenues</u>			
Interest Revenue	1,656	4,468	7,844
Asset Retirement Obligation Non-Operating Transaction	298	-	-
Federal Subsidy Revenue	1,529	1,539	4,801
(Decrease) Increase in Fair Value of Investments, Net	(980)	997	605
Total Non-Operating Revenues	2,503	7,004	13,250
Total Revenues	429,123	403,773	398,297
<u>Operating Expenses</u>			
Salaries and Wages	56,169	57,174	57,081
Fringe Benefits	(27,441)	32,035	41,190
Utilities	11,364	12,234	12,249
Professional and Contractual Services	38,302	42,994	60,191
Other	10,543	9,324	9,956
Depreciation	85,527	81,615	80,597
Total Operating Expenses	174,464	235,376	261,264
<u>Non-Operating Grant Expenses</u>			
Interest Expense on Long-Term Debt	55,905	55,891	60,976
Non-Operating Grant Expenses	-	-	178
Green Infrastructure Program	1,295	1,286	2,102
Member Community Infrastructure Community Program	5,080	4,185	2,331
Stormwater Community Cost Share Disbursement	9,618	7,321	8,512
Loss on Bond Defeasance	1,040	-	-
Loss on Non-Operating Miscellaneous Transactions	11	-	-
Loss on Disposals of Equipment	11,915	521	649
Total Non-Operating Expenses	84,864	69,204	74,748
Total Expenses	259,328	304,580	336,012
Change in Net Position	169,795	99,193	62,285
Net Position at Beginning of Year	1,691,044	1,591,851	1,529,566
Net Position at End of Year	\$ 1,860,839	\$ 1,691,044	\$ 1,591,851

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, 2021:

- Operating revenues increased by \$29,850,025 (7.5%) compared to 2020. The increase was mainly due to higher sewer billing rates in 2021 and a slight increase of customer accounts.
- Non-operating revenues decreased by \$4,500,086 (64.3%). Non-operating revenues consist of interest revenue, the change in fair value of investments, grant revenue, gain on Asset Retirement Obligation, and Federal subsidy revenue. Interest revenue decreased by \$2,811,730 (62.9%) due to lower interest rates. The fair value of investments for 2021 decreased by \$1,976,839 (198.4%) due to the downturn in the economy. Federal subsidy revenue decreased by \$9,402 (0.6%) due to the decrease of sequestration rate from 2020. Non-cash gain of \$297,885 was recognized on ARO due to changes in assumptions.
- Operating expenses decreased by \$60,912,570 (25.9%) compared to 2020. Main components of operating expenses are as follows:
 - Salary and wages decreased \$1,005,248 (1.8%) due to unfilled job positions.
 - Professional and contractual services decreased \$4,691,870 (10.9%) due to less Sewer System Evaluation Studies projects being done in 2021.
 - Fringe benefit costs decreased by \$59,475,919 or (185.7%) from 2020. This decrease is primarily the result of the recognition of a \$41,328,716 non-cash credit to OPEB expense as required by GASB 75 (see Note 8). The Sewer District is required to record its proportionate share of the OPERS liability (asset). As previously stated, OPERS reported a \$1.8 billion OPEB asset for the measurement year 2020 as compared to a \$13.8 billion OPEB liability reported in the measurement year 2019 largely due to changes made to the health care plan offered to OPERS covered retirees.
 - Utilities decreased \$869,855 (7.1%) mainly due to Wastewater Treatment Plants, EMSC and GJM consuming less power with employees working remotely. Decrease is also due to ongoing sustainability efforts and negotiated reduced power rates from recent contract negotiations.
 - Other expenses increased due the net effect of the changes of its subcategory expenses. Community outreach and education expenses increased by \$227,970 (62.2%) due to the lift of COVID-19 gathering restrictions and activities returning to normalcy. Travel utilization decreased by \$13,656 (25.3%), due to COVID-19 impact. Other Materials are higher due to software implementation in various District budget centers, increase in cost of fuel and increase in usage of small equipment.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

- Non-operating expenses increased \$15,660,591 (22.6%) due to increases in loss on disposal of equipment, loss on bond defeasance, stormwater community cost-share reimbursements, member community infrastructure program payments, green infrastructure payments and interest expense on long-term debt. Loss on disposals of equipment increased by \$11,394,381 (2188.8%) due to increased disposal activity primarily at the treatment plants. Loss on bond defeasance of \$1,039,979 was recognized in the reporting year due to 2014 bonds cash defeasance for the 2049 maturity only that took place in December 2021.

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, 2020:

- Operating revenues increased by \$11,721,945 (3.0%) compared to 2020. The increase was mainly due to higher sewer billing rates in 2020 and a slight increase of customer accounts.
- Non-operating revenues decreased by \$6,246,207 (47.1%). Non-operating revenues consist of interest revenue, the change in fair value of investments, grant revenue and Federal subsidy revenue. Interest revenue decreased by \$3,375,386 (43.0%) due to lower interest rates. The fair value of investments for 2020 increased by \$391,773 (64.8%). Federal subsidy revenue decreased by \$3,262,594 (68.0%) due to the partial 2010 Build America Bonds refunding in 2019.
- Operating expenses decreased by \$25,887,170 (9.9%) compared to 2019. Main components of operating expenses are as follows:
 - Salary and wages increased \$92,946 (0.2%) due to general salary increases.
 - Fringe benefits decreased \$9,155,311 (22.2%) due to a decrease in health care costs, and decreased pension and OPEB expense for OPERS.
 - Utilities decreased \$14,734 (0.1%) mainly due to Wastewater Treatment Plants, EMSC and GJM consuming less power with employees working remotely. The decrease is also due to ongoing sustainability efforts and negotiated reduced power rates from recent contract negotiations.
 - Professional and contractual services decreased \$17,196,630 (28.6%) due to less Sewer System Evaluation Studies projects being done in 2020.
 - Other expenses decreased due the net effect of the changes of its subcategory expenses. Community outreach and education expenses were decreased by \$578,691 (61.2%) due to COVID-19 gathering restrictions and its anticipated financial impact. Travel and employee education expenses were reduced by \$201,245 (78.9%) and \$114,941 (48.8%), respectively, due to COVID-19 travel restrictions. Software expense increased \$490,088 (20.1%) due to the Sewer District procuring a construction project management system and cloud-based applications for data, server, and network management.
- Non-operating expenses decreased \$5,544,976 (7.4%) due to decreases in in stormwater community cost-share reimbursements, green infrastructure payments and interest expense on long-term debt. Interest expense decreased by \$5,084,357 (8.3%).

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

Capital Assets

At December 31, 2021, capital asset balances were as follows compared to 2020 and 2019. Refer to Notes 2 and 5 of the audited financial statements for more detailed information on capital assets.

Capital Assets at December 31, 2021, 2020 and 2019
(Net of Depreciation, in Thousands)

	2021	2020	2019
Land	\$ 44,448	\$ 39,645	\$ 35,707
Construction in Progress	434,725	481,985	666,422
Interceptor Sewer Lines	1,718,941	1,583,723	1,286,502
Buildings, Structures and Improvements and Equipme	598,610	618,410	618,870
Sewage Treatment and Other Equipment	345,542	346,424	362,049
Right to Use-Intangible	10,532	4,034	4,217
Total	<u>\$ 3,152,798</u>	<u>\$ 3,074,221</u>	<u>\$ 2,973,767</u>

	Amount
Major Additions Placed into Service in 2021, at Cost Included:	
Doan Valley Tunnel	\$ 154,373
Southerly Optimized Parallel Treatment	28,981
Easterly/Westerly Low Voltage Equipment Replacement	11,219
Doan Valley Regulators & Relief Sewers	5,195
CSO Outfall Repairs	2,872
Easterly Bar Screen Conveyor Belt Rehabilitation	2,448
Westerly Grating & CSOTF Washdown Replacement	1,029
	<u>\$ 206,117</u>

	Amount
Major Additions Placed into Service in 2020, at Cost Included:	
Dugway Storage Tunnel	\$ 165,616
E. 140th Consolidation and Relief Sewer	80,638
London Road Relief Sewer	42,270
Doan Valley Relief Sewer	16,908
Westerly PLC Replacement	4,217
Tunnel Dewatering Pump Station	1,877
Southerly REF Improvements	1,118
	<u>\$ 312,644</u>

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

Debt Administration

At December 31, 2021, the Sewer District had total debt outstanding of \$1,948,076,920. This represents an increase of \$55,082,607 for total debt from 2020 due to the issuance of new loans from the Ohio Water Development Authority Water Pollution Control Loan Fund which had increased by \$130,442,454 and issuance of the new 2021 Refunding Bonds in the amount of \$114,295,000; total debt payments were \$193,264,458, of which \$154,199,693 was for bond retirement, which includes \$143,309,693 for partial defeasance of the 2013 and 2014 bonds and premium, and \$39,064,765 for retirement of loans. The carrying value of the long-term portion of debt on December 31, 2021 was \$1,889,038,567 and the fair value of the long-term debt was \$2,374,527,184.

At December 31, 2020, the Sewer District had total debt outstanding of \$1,892,994,313. This represents an increase of \$112,140,775 for total debt from 2019 due to the issuance of new loans from the Ohio Water Development Authority Water Pollution Control Loan Fund which had increased by \$141,655,394 and issuance of the new 2020 Refunding Bonds in the amount of \$244,895,000; total debt payments were \$256,592,511, of which \$222,754,396 was for defeasance of the 2014 bonds and premium and \$36,147,511 for retirement of loans. The carrying value of the long-term portion of debt at December 31, 2020 was \$1,840,695,896 and the fair value of the long-term debt was \$1,873,625,259.

This information should be read in conjunction with Note 6 to the audited financial statements for more detailed information on long-term debt.

Outstanding Debt at December 31,
(In Thousands)

	2021	2020	2019
Revenue Bonds	\$ 1,041,767	\$ 1,078,062	\$ 1,073,331
Water Pollution Loans Payable	906,310	814,932	707,522
Total Debt	\$ 1,948,077	\$ 1,892,994	\$ 1,780,853

Economic Factors

In August 2016, the Board approved rate increases scheduled for the years 2017 through 2021. Increasingly stringent federal regulations and remaining legal obligations are key factors that led to these rate increases. A rate study of a projected five-year period concluded that the need to finance over \$1.1 billion in federally mandated capital projects between 2017 and 2021, combined with the repayment of existing debt service for past projects and an anticipated decrease in billed consumption, necessitated the rate increases. During 2017, the Sewer District’s billing cycle was changed from quarterly billing to monthly billing. Effective January 1, 2020, rates charged to District customers increased to \$100.15 per mcf for City of Cleveland customers, and to \$100.75 per mcf for the suburban customers. Also, effective January 1, 2020, the fixed fee was increased to \$7.95 per month for regular customers and \$4.75 per month for Homestead/Affordability customers. Effective January 1, 2021,

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis
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rates charged to District customers increased to \$106.50 per mcf for City of Cleveland customers, and to \$106.80 per mcf for the suburban customers. Also, effective January 1, 2021, the fixed fee was increased to \$9.70 per month for regular customers and \$5.80 per month for Homestead/Affordability customers.

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.

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, 2021 and 2020

	Assets	
	2021	2020
Current Assets:		
Cash	\$ 1,346,758	\$ 14,037,797
Stormwater Cash	22,537,237	12,966,609
Stormwater Community Cost-Share Cash	31,470,340	30,484,566
Short-Term Investments	374,500,107	373,590,445
Sewage Service Fees Receivable, Less Allowance for Doubtful Accounts of \$25,500,000 in 2021 and \$28,400,000 in 2020	139,178,520	122,905,496
Stormwater Service Fees Receivable, Less Allowance for Doubtful Accounts of \$846,000 in 2021 and \$976,000 in 2020	18,665,430	17,996,798
Receivables from Federal, State and Other Agencies	51,401,127	19,736,230
Inventory, Prepaid Expenses and Other	8,606,568	8,221,614
Total Current Assets	647,706,087	599,939,555
Noncurrent Assets:		
Capital Assets:		
Interceptor Sewer Lines	2,098,279,956	1,935,390,220
Buildings, Structures and Improvements and Equipment	1,191,559,402	1,215,149,836
Sewage Treatment and Other Equipment	668,380,280	664,859,036
Right to Use - Intangible	12,187,066	5,505,574
	3,970,406,704	3,820,904,666
Less: Accumulated Depreciation	(1,296,781,053)	(1,268,313,013)
	2,673,625,651	2,552,591,653
Land	44,447,718	39,644,911
Construction in Progress	434,724,867	481,984,718
Net Capital Assets	3,152,798,236	3,074,221,282
Long-Term Investments	84,066,713	34,828,633
Revenue Bond Debt Service Deposit - restricted	11,464,564	12,194,735
Net Pension Asset	1,633,076	1,219,092
Net OPEB Asset	6,804,636	-
Total Noncurrent Assets	3,256,767,225	3,122,463,742
Total Assets	3,904,473,312	3,722,403,297
Deferred Outflows of Resources:		
Pension	7,423,509	11,693,045
OPEB	3,544,538	8,633,651
Deferred Charge on Bond Refunding	42,807,689	40,176,630
Asset Retirement Obligation	100,830	243,991
Total Deferred Outflows of Resources	53,876,566	60,747,317
Total Assets and Deferred Outflows of Resources	\$ 3,958,349,878	\$ 3,783,150,614

Continued

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Net Position (Continued)

December 31, 2021 and 2020

Liabilities and Net Position

	2021	2020
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 9,100,188	\$ 15,737,033
Construction Contracts and Retainages Payable	21,643,499	17,106,335
Accrued Interest Payable	12,437,928	10,578,689
Other Accrued Liabilities	8,814,834	7,719,565
Current Maturities of Long-Term Debt	59,038,353	52,298,417
Short-Term Liability - Asset Retirement Obligation	20,880	73,516
Total Current Liabilities	111,055,682	103,513,555
Noncurrent Liabilities:		
Long-Term Bonds and WPCLF	1,889,038,567	1,840,695,896
Net Pension Liability	52,832,981	70,790,382
Net OPEB Liability	-	52,775,589
Long-Term Asset Retirement Obligation	79,950	416,589
Total Noncurrent Liabilities	1,941,951,498	1,964,678,456
Total Liabilities	2,053,007,180	2,068,192,011
Deferred Inflows of Resources:		
Pension	23,576,301	15,950,161
OPEB	20,927,194	7,964,097
Total Deferred Inflows of Resources	44,503,495	23,914,258
Total Liabilities and Deferred Inflows of Resources	2,097,510,675	2,092,106,269
Net Position:		
Net Investment in Capital Assets	1,258,993,569	1,233,425,735
Restricted - Stormwater Community Cost-Share	31,470,340	30,484,566
Unrestricted	570,375,294	427,134,044
Total Net Position	\$1,860,839,203	\$ 1,691,044,345

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues - Sewage:		
Billing Agents	\$ 351,000,147	\$ 320,790,742
Direct Billed	28,922,149	29,349,538
Other	2,315,085	1,934,392
Total Operating Revenues - Sewage	<u>382,237,381</u>	<u>352,074,672</u>
Operating Revenues - Stormwater:		
Billing Agents	43,519,426	43,886,592
Direct Billed	862,650	808,341
Other	-	(173)
Total Operating Revenues - Stormwater	<u>44,382,076</u>	<u>44,694,760</u>
Total District's Operating Revenues, Net	<u>426,619,457</u>	<u>396,769,432</u>
Operating Expenses - Sewage:		
Salaries and Wages	52,707,793	53,664,151
Fringe Benefits	(27,988,319)	31,440,808
Utilities	11,364,347	12,234,202
Professional and Contractual Services	24,500,508	25,437,661
Other	10,435,818	9,223,437
Stormwater Indirect Cost Allocation	(4,303,771)	(4,096,133)
Depreciation and Amortization	85,513,526	81,614,727
Total Operating Expenses - Sewage	<u>152,229,902</u>	<u>209,518,853</u>
Operating Expenses - Stormwater:		
Salaries and Wages	3,460,956	3,509,846
Fringe Benefits	546,974	593,766
Professional and Contractual Services	13,802,080	17,556,797
Other	106,914	100,972
Stormwater Indirect Cost Allocation	4,303,771	4,096,133
Depreciation and Amortization	13,200	-
Total Operating Expenses - Stormwater	<u>22,233,895</u>	<u>25,857,514</u>
Total District's Operating Expenses	<u>174,463,797</u>	<u>235,376,367</u>
Operating Income	<u>252,155,660</u>	<u>161,393,065</u>
Non-Operating Revenues (Expenses):		
Interest Revenue	1,656,387	4,468,117
(Decrease) Increase in Fair Value of Investments, Net	(980,218)	996,621
Green Infrastructure Program	(1,295,007)	(1,286,128)
Member Community Infrastructure Program	(5,079,830)	(4,184,855)
Stormwater Community Cost Share Disbursement	(9,617,923)	(7,320,593)
Loss on Disposals of Equipment	(11,914,948)	(520,567)
Loss on Bond Defeasance	(1,039,979)	-
Loss on Non-Operating Miscellaneous Transactions	(11,300)	-
Interest Expense on Long-Term Debt	(55,905,229)	(55,891,482)
Asset Retirement Obligation Non-Operating Transaction	297,885	-
Federal Subsidy Revenue	1,529,360	1,538,762
Total Non-Operating Revenues (Expenses), Net	<u>(82,360,802)</u>	<u>(62,200,125)</u>
Change in Net Position	169,794,858	99,192,940
Net Position at Beginning of Year	1,691,044,345	1,591,851,405
Net Position at End of Year	<u>\$ 1,860,839,203</u>	<u>\$ 1,691,044,345</u>

Continued

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 400,028,973	\$ 377,997,691
Cash Payments to Suppliers for Goods and Services	(73,478,678)	(54,045,663)
Cash Payments to Employees for Services	(76,061,369)	(90,470,653)
Net Cash Provided by Operating Activities	<u>250,488,926</u>	<u>233,481,375</u>
Cash Flows From Investing Activities		
Purchases of Investments	(473,938,812)	(398,497,692)
Proceeds from Maturities of Investments	423,499,036	303,126,219
Interest on Investments	1,698,373	4,682,055
Gain on Escrow Substitution	-	850,039
Delivery Costs for Escrow Substitution	-	(75,000)
Net Cash Used by Investing Activities	<u>(48,741,403)</u>	<u>(89,914,379)</u>
Cash Flows From Non-Capital Financing Activities		
Loss on Non-Operating Miscellaneous Transaction	(11,300)	-
Grants Received	-	119,048
Net Cash (Used) Provided by Non-Capital Financing Activities	<u>(11,300)</u>	<u>119,048</u>
Cash Flows From Capital and Related Financing Activities		
Principal Payments on Long-Term Debt	(53,058,154)	(47,872,511)
Interest Payments on Long-Term Debt	(48,412,281)	(52,796,493)
Proceeds from Issuance of Series 2021 Refunding Bonds	114,295,000	-
Proceeds from Issuance of Series 2020 Refunding Bonds	-	244,895,000
Deposits to Net Escrow Account	(143,309,693)	(243,359,377)
Bond Issuance Costs	(487,971)	(502,497)
Underwriter Discount Fees	(495,530)	(1,033,126)
Proceeds from Water Pollution Control Loans	99,095,613	147,032,461
Proceeds on Sale of Capital Assets	25,141	23,099
Acquisition and Construction of Capital Assets	(171,522,985)	(197,905,105)
Net Cash Used by Capital and Related Financing Activities	<u>(203,870,860)</u>	<u>(151,518,549)</u>
Net Decrease in Cash and Stormwater Cash	<u>(2,134,637)</u>	<u>(7,832,505)</u>
Cash at Beginning of Year	14,037,797	28,776,172
Stormwater Cash at Beginning of Year	12,966,609	10,634,303
Stormwater Community Cost-Share Cash at Beginning of Year	30,484,566	25,911,002
Cash at End of Year	<u>\$ 55,354,335</u>	<u>\$ 57,488,972</u>

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, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to Cash Provided By Operating Activities:		
Operating Income	\$ 252,155,660	\$ 161,393,065
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	85,526,726	81,614,727
Allowance for Doubtful Accounts	3,030,000	4,925,000
Stormwater Community Cost Share Disbursement	(9,636,978)	(7,320,593)
Member Community Infrastructure Program Disbursement	(4,654,320)	(2,228,092)
Green Infrastructure Program Disbursement	(1,095,859)	(343,818)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(19,983,506)	(16,376,148)
Deferred Outflows of Resources - Pension	4,269,536	18,684,297
Deferred Inflows of Resources - Pension	7,626,140	13,387,475
Deferred Outflows of Resources - OPEB	5,089,113	(3,604,913)
Deferred Inflows of Resources - OPEB	12,963,097	7,218,538
Net Pension Asset	(413,984)	(509,447)
Net OPEB Asset	(6,804,636)	-
Net Pension Liability	(17,957,401)	(26,288,204)
Net OPEB Liability	(52,775,589)	2,819,266
Inventory and Prepaid Expenses	(384,954)	439,875
Accounts Payable and Other Accrued Liabilities	(6,464,119)	(329,653)
Total Adjustments	(1,666,734)	72,088,310
Net Cash Provided by Operating Activities	\$ 250,488,926	\$ 233,481,375
 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	\$ 31,676,747	\$ (3,475,111)
Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans	\$ 3,103,389	\$ 5,450,895
Long-Term Debt Decreased due to Accrued Construction Principal Adjustment in Connection with Water Pollution Control Loans	\$ (329,906)	\$ (73,827)
Capital Assets Increased (Decreased) due to Capitalized Costs, Recorded Accounts Payable and Asset Reclassifications	\$ 4,469,013	\$ (15,292,685)
(Decrease) Increase in Fair Value of Investments, Net	\$ (980,218)	\$ 996,621
Amortization of Deferred Charge on Bond Refunding	\$ (2,193,984)	\$ 2,061,627
Amortization of Bond Premium and Discount	\$ (4,688,140)	\$ (5,684,668)

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Reclassification

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

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, 2021, 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, State of Texas Bonds, STAR Ohio and Huntington contractors' escrow.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Investments

The carrying value of the Sewer District's investments in U.S. Treasury Securities, State of Texas 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, 2021 was \$2,374,527,184. The estimated fair value of the Sewer District's long-term debt, net of the current portion, at December 31, 2020 was \$1,873,625,259.

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, 2021 and 2020, these funds consisted of U.S. Treasury Securities 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, 2021 and 2020 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, 2021 and 2020

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 uncollectibles. The allowance is based on aged accounts receivable, historical collection rates, economic trends, and current year operating revenues. The allowance amounts are \$26,346,000 and \$29,376,000 at December 31, 2021 and 2020, 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 \$10,000. 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

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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the 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 7 and Note 8. 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.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial 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 and net OPEB obligations. Deferred inflows of resources related to pensions and OPEB are reported on the government-wide statements of net position and explained, respectively, in Notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB) Liabilities (Assets)

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 7 and 8, respectively.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Net Position

In the Sewer District financial statements, net position is categorized into three categories. The first is net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those 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 unrestricted portion of net position, which consists of all assets that do not meet the definition of either of the other two 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 of Trustees at December 31, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
General Operating Reserve	\$ 33,427,550	\$ 36,455,289
Equipment Repair and Replacement Reserve	59,564,112	59,230,703
Insurance Reserve	17,960,572	19,134,787
Rate Stabilization Account	18,000,000	18,000,000
Capital Project Account	323,954,356	277,556,944

During 2021, the General Operating Reserve decreased by \$3,027,739 due to the decrease in the operating budget compared to 2020. The Equipment Repair and Replacement Reserve increased \$333,409 due to interest revenue. The Insurance Reserve had a net decrease of \$1,174,215 due to insurance premiums and claims paid more than the interest earned. The Rate Stabilization account stayed the same compared to 2020. The Capital Project account increased by \$46,397,412 due to increases in Ohio Water Development Authority (OWDA) loan receipts via the Water Pollution Control Loan Fund (WPCLF) more than project expenditures and transfers from the operating account.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Net Position (continued)

During 2020, the General Operating Reserve increased by \$2,055,633 due to an increase in the operating budget compared to 2019. The Equipment Repair and Replacement Reserve increased \$604,909 due to interest revenue. The Insurance Reserve had a net decrease of \$1,026,015 due to insurance premiums and claims paid in excess of the interest earned. The Rate Stabilization account stayed the same compared to 2019. The Capital Project account increased by \$76,116,543 due to increases in Ohio Water Development Authority (OWDA) loan receipts via the Water Pollution Control Loan Fund (WPCLF) more than 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 \$1,718,070 in 2021 and \$10,809,758 in 2020. 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, 2021 and 2020 are unbilled sewage service fees of \$23,530,567 and \$23,286,419, respectively. Included in stormwater service fees receivable at December 31, 2021 and 2020 are unbilled stormwater service fees of \$2,121,624 and \$2,255,419; respectively.

In August 2016, the Board approved rate increases scheduled for the years 2017 through 2021. Increasingly stringent federal regulations and remaining legal obligations are key factors that led to these rate increases. A rate study of a projected five-year period concluded that the need to finance over \$1.1 billion in federally mandated capital projects between 2017 and 2021, combined with the repayment of existing debt service for past projects and an anticipated decrease in billed consumption, necessitated the rate increases. During 2017, the Sewer District's billing cycle was changed from quarterly billing to monthly billing. Effective January 1, 2020, rates charged to District customers increased to \$100.15 per mcf for City of Cleveland customers, and to \$100.75 per mcf for the suburban customers. Also, effective January 1, 2020, the fixed fee was increased to \$7.95 per month for regular customers and \$4.75 per month for Homestead/Affordability customers. Effective January 1, 2021, rates charged to District customers increased to \$106.50 per mcf for City of Cleveland customers, and to \$106.80 per mcf for the suburban customers. Also, effective January 1, 2021, the fixed fee was increased to \$9.70 per month for regular customers and \$5.80 per month for Homestead/Affordability customers.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies (continued)

Revenues and Expenses (continued)

On July 15, 2021, the Board of Trustees 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.

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.

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.

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, 2021 and 2020.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 3: 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, 2021, the carrying amount of the Sewer District's deposits was \$55,354,335 and the bank balance was \$60,761,641. Of the bank balance, \$14,959,446 is sewer cash, of which, \$250,000 was covered by Federal depository insurance and \$14,709,446 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). Of the bank balance, \$45,802,195 is stormwater cash and cash equivalents, and is deposited with Star Ohio. At December 31, 2020, the carrying amount of the Sewer District's deposits was \$57,488,972 and the bank balance was \$68,366,975. Of the bank balance, \$15,056,421 is sewer cash, of which, \$250,000 was covered by Federal depository insurance and \$14,806,421 was covered by collateral held by the OPCS. Of the bank balance, \$45,764,765 is stormwater cash and cash equivalents, and is deposited with Star Ohio. 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. At December 31, 2021 and 2020, Huntington Bank was the only financial institution participating in OPCS.

Investments

The Sewer District's investment policies are currently governed by its Series 2021, 2020, 2019, 2017, 2016, 2014, 2013, and 2010 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 3: Deposits and Investments (continued)

At December 31, 2021, 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	\$ 172,924,639	38%	\$ 105,442,410	\$ 67,482,229
State Treasury Asset Reserve	266,339,915	57%	266,339,915	-
Federal National Mortgage Assoc.	4,979,521	1%	-	4,979,521
Federal Home Loan Mortgage Corp.	6,451,139	1%	-	6,451,139
State of Texas Bonds	2,106,460	0%	-	2,106,460
Federal Home Loan Bank	8,121,020	2%	5,073,656	3,047,364
Federal Farm Credit Bank	5,056,795	1%	5,056,795	-
Huntington Contractor Escrow	3,490,768	1%	3,490,768	-
Dreyfus Cash Management	35,239	0%	35,239	-
PNC Cash	525,888	0%	525,888	-
	<u>\$ 470,031,384</u>		<u>\$ 385,964,671</u>	<u>\$ 84,066,713</u>

At December 31, 2020, 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 Bills	\$ 41,074,881	10%	\$ 41,074,881	\$ -
U.S. Treasury Notes	55,700,324	13%	47,500,669	8,199,655
State Treasury Asset Reserve	281,473,041	67%	281,473,041	-
Federal National Mortgage Assoc.	5,015,521	1%	-	5,015,521
Federal Home Loan Mortgage Corp.	6,012,002	1%	-	6,012,002
Federal Home Loan Bank	11,352,080	3%	3,086,290	8,265,790
State of Trexas Bonds	2,168,760	1%	-	2,168,760
Federal Farm Credit Bank	10,241,572	2%	5,074,667	5,166,905
Certificates of Deposit	7,545,789	2%	7,545,789	-
Dreyfus Cash Management	29,843	0%	29,843	-
	<u>\$ 420,613,813</u>		<u>\$ 385,785,180</u>	<u>\$ 34,828,633</u>

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 District portfolio is not more than two years. In addition, Ohio law prescribes that all District investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Sewer District.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 3: Deposits and Investments (continued)

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, 2021, 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 Bonds and Federal Farm Credit Bank. As of December 31, 2020, 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 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 AAAm 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. The Sewer District's investment in U.S. agencies with fair values totaling \$24,608,475 has maturities of \$10,130,451 in less than one year and \$14,478,024 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. The Sewer District's securities associated with the principal and interest payment of bond obligations in the amount of \$11,464,564 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.

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 so invested. As of December 31, 2021 and 2020, more than five percent of the Sewer District's investments are in U.S. Treasury Notes and Star Ohio.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 4: 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 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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts due from District customers at beginning of year for invoices rendered by the City	\$ 134,275,436	\$ 121,265,963
Amounts billed to District customers by the City during the year	390,672,958	368,023,040
Cash collected from District customers by the City and remitted to the District during the year	(369,238,039)	(348,053,495)
Write off of inactive accounts	(4,747,670)	(5,795,605)
Cash collected directly by the District on invoices rendered by the City and other adjustment	(2,558,168)	(1,164,467)
Balance due from customers at end of year, included in service fees receivable before allowance for doubtful accounts	<u>\$ 148,404,517</u>	<u>\$ 134,275,436</u>

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 2021 and 2020 were \$8,761,624 and \$8,690,172, respectively; of which, \$717,824 for 2021 and \$712,527 for 2020 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, 2021 and 2020

Note 5: Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Non-depreciable Capital Assets:					
Land	\$ 39,644,911	\$ -	\$ -	\$ 4,802,807	\$ 44,447,718
Construction in Progress	481,984,718	172,865,949	-	(220,125,800)	434,724,867
Total Non-depreciable Capital Assets	<u>521,629,629</u>	<u>172,865,949</u>	<u>-</u>	<u>(215,322,993)</u>	<u>479,172,585</u>
Depreciable Capital Assets:					
Interceptor Sewer Lines	1,935,390,220	-	(363,053)	163,252,789	2,098,279,956
Buildings, Structures and Improvements and Equip.	1,215,149,836	247,006	(43,117,288)	19,279,848	1,191,559,402
Sewage Treatment and Other Equipment	664,859,036	2,879,043	(25,466,663)	26,108,864	668,380,280
Right to Use-Intangible (*)	5,505,574	-	-	6,681,492	12,187,066
Total Depreciable Capital Assets	<u>3,820,904,666</u>	<u>3,126,049</u>	<u>(68,947,004)</u>	<u>215,322,993</u>	<u>3,970,406,704</u>
Total Historical Cost	<u>4,342,534,295</u>	<u>175,991,998</u>	<u>(68,947,004)</u>	<u>-</u>	<u>4,449,579,289</u>
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(351,667,063)	(27,852,167)	180,826	-	(379,338,404)
Buildings, Structures and Improvements and Equip.	(596,739,690)	(29,696,721)	33,487,155	-	(592,949,256)
Sewage Treatment and Other Equipment	(318,434,797)	(27,742,698)	23,338,934	-	(322,838,561)
Right to Use-Intangible (*)	(1,471,463)	(183,369)	-	-	(1,654,832)
Total Accumulated Depreciation	<u>(1,268,313,013)</u>	<u>(85,474,955)</u>	<u>57,006,915</u>	<u>-</u>	<u>(1,296,781,053)</u>
Capital Assets, Net	<u>\$ 3,074,221,282</u>	<u>\$ 90,517,043</u>	<u>\$ (11,940,089)</u>	<u>\$ -</u>	<u>\$ 3,152,798,236</u>
Depreciation Expense Charged to Operating Expenses		\$ 85,474,955			
Amortization Expense, Asset Retirement Obligation		51,771			
		<u>\$ 85,526,726</u>			

(*) During 2021, the Sewer District acquired an intangible asset due to an agreement with the 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 \$6,681,492 as of December 31, 2021. Below is a schedule of the amounts to be expensed in future years:

Year Ending December 31,	Amortization Amount
2022	\$ 222,716
2023	222,716
2024	222,716
2025	222,716
2026	222,717
2027-2031	1,113,582
2032-2036	1,113,582
2037-2041	1,113,582
2042-2046	1,113,582
2047-2051	1,113,583
	<u>\$ 6,681,492</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 5: Capital Assets and Depreciation (continued)

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Non-depreciable Capital Assets:					
Land	\$ 35,706,856	\$ -	\$ -	\$ 3,938,055	\$ 39,644,911
Construction in Progress	666,422,074	178,772,620	-	(363,209,976)	481,984,718
Total Non-depreciable Capital Assets	<u>702,128,930</u>	<u>178,772,620</u>	<u>-</u>	<u>(359,271,921)</u>	<u>521,629,629</u>
Depreciable Capital Assets:					
Interceptor Sewer Lines	1,614,954,066	125,653	-	320,310,501	1,935,390,220
Buildings, Structures and Improvements and Equip.	1,185,515,445	108,175	(335,324)	29,861,540	1,215,149,836
Sewage Treatment and Other Equipment	655,935,613	3,483,416	(3,659,873)	9,099,880	664,859,036
Right to Use-Intangible (*)	5,505,574	-	-	-	5,505,574
Total Depreciable Capital Assets	<u>3,461,910,698</u>	<u>3,717,244</u>	<u>(3,995,197)</u>	<u>359,271,921</u>	<u>3,820,904,666</u>
Total Historical Cost	<u>4,164,039,628</u>	<u>182,489,864</u>	<u>(3,995,197)</u>	<u>-</u>	<u>4,342,534,295</u>
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(328,453,561)	(23,213,502)	-	-	(351,667,063)
Buildings, Structures and Improvements and Equip.	(566,644,948)	(30,384,128)	289,386	-	(596,739,690)
Sewage Treatment and Other Equipment	(293,886,272)	(27,710,670)	3,162,145	-	(318,434,797)
Right to Use-Intangible (*)	(1,288,094)	(183,369)	-	-	(1,471,463)
Total Accumulated Depreciation	<u>(1,190,272,875)</u>	<u>(81,491,669)</u>	<u>3,451,531</u>	<u>-</u>	<u>(1,268,313,013)</u>
Capital Assets, Net	<u>\$ 2,973,766,753</u>	<u>\$ 100,998,195</u>	<u>\$ (543,666)</u>	<u>\$ -</u>	<u>\$ 3,074,221,282</u>
Depreciation Expense Charged to Operating Expenses		\$ 81,491,669			
Amortization Expense, Asset Retirement Obligation		<u>123,058</u>			
		<u>\$ 81,614,727</u>			

(*) 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, 2021 and 2020. Below is a schedule of the amounts to be expensed in future years:

Year Ending December 31,	Amortization of Intangible Asset
2022	\$ 183,369
2023	183,369
2024	183,369
2025	183,369
2026	183,369
2027-2031	916,843
2032-2036	916,843
2037-2041	916,843
2042	183,368
	<u>\$ 3,850,742</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 5: Capital Assets and Depreciation (continued)

ARO – 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's 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 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, 2021 and 2020, the average estimated useful lives range from three to five years. At December 31, 2021 and 2020, the ARO related to the buildings was \$100,830 and \$490,105; respectively, of which \$20,880 and \$73,516, respectively, are classified as current liabilities on the financial statements. At December 31, 2021 and 2020, amortization for the ARO liability is rolled up to the total depreciation and amortization in the statements of revenues, expenses and changes in net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations

A summary of long-term debt outstanding at December 31, 2021 and 2020 follows:

	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>
Wastewater Improvement Revenue Bonds, Series 2010:			
Serial Bonds Maturing 2026 through 2040	5.44%	\$ 85,210,000	\$ 85,210,000
Wastewater Improvement Revenue Bonds, Series 2013:			
Serial Bonds Maturing 2020 through 2043	2.00%-5.00%	1,915,000	20,215,000
Wastewater Improvement Revenue Refunding Bonds, Series 2014:			
Serial Bonds Maturing 2017 through 2049	1.75%-5.00%	62,865,000	179,925,000
Wastewater Improvement Revenue Refunding Bonds, Series 2016:			
Serial Bonds Maturing 2017 through 2036	3.00%	21,445,000	21,620,000
Wastewater Improvement Revenue Refunding Bonds, Series 2017:			
Serial Bonds Maturing 2019 through 2043	3.00%-5.00%	239,840,000	240,455,000
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%	240,025,000	241,665,000
Wastewater Improvement Revenue Refunding Bonds, Series 2021:			
Serial Bonds Maturing 2021 through 2046	0.21%-2.77%	113,070,000	-
Water Pollution Control Loans Fund Through 2062	0.00%-4.64%	906,309,873	814,932,184
Total Bonds and WPCLF		<u>1,915,684,873</u>	<u>1,849,027,184</u>
Less Current Maturities		(59,038,353)	(52,298,417)
Bond Premium (Discount), Net		32,392,047	43,967,129
Total Long-Term Bonds and WPCLF		<u>\$ 1,889,038,567</u>	<u>\$ 1,840,695,896</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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.

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 2021 and 2020 were \$1,529,360 and \$1,538,762, respectively, which is a reduction of \$92,442 and \$12,646 due to the recent sequester by Congress and a partial refunding of the 2010 Bonds in 2020. The subsidy payment for 2021 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 2020 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:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Build America Bonds Subsidy (continued)

<u>Year Ending December 31,</u>	<u>Subsidy Amount</u>
2022	\$ 1,529,359
2023	1,529,359
2024	1,529,359
2025	1,529,359
2026	1,529,359
2027-2031	5,254,401
2032	341,822
	<u>\$ 13,243,018</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.

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.

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 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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

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.

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 Wastewater Improvement Revenue Bonds, Series 2007 (the "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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2021 (continued)

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, 2021. 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, 2021 follow:

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 – 2020	42	\$ 545,066,888	\$ 27,387,668
2021 – 2024	35	361,242,985	270,122,430
		\$ 906,309,873	\$ 297,510,098

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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, 2021 and 2020, \$21,445,000 and \$21,620,000 are the portion of refunded 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. 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, 2021 and 2020, \$239,840,000 and \$240,455,000, respectively, are the portions of refunded 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, 2021 and 2020

Note 6: 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. This refunding resulted in debt service savings of \$47,293,317 over the next 21 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, 2021 and 2020, \$245,005,000 is the portion of refunded 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.

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 2020 using the effective interest method. As of December 31, 2021 and 2020, \$240,025,000 and \$241,565,000; respectively, are the portions of refunded 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, 2021 and 2020

Note 6: 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, 2021, \$27,420,000 of the refunded debt remained outstanding. 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 30 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, 2021, \$100,705,000 of the portion of refunded debt remained outstanding. 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.

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Future Debt Service Requirements

The total future debt service requirements for all long-term debt not defeased or refunded as of December 31, 2021 follows:

	Wastewater Improvement Revenue Bonds Series 2010		Wastewater Improvement Revenue Bonds Series 2013	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ 3,104,361	\$ 1,915,000	\$ 88,750
2023	-	3,104,361	-	-
2024	-	3,104,361	-	-
2025	-	3,104,361	-	-
2026	1,540,000	3,104,361	-	-
2027-2031	64,625,000	11,306,756	-	-
2032	19,045,000	693,845	-	-
Total	\$ 85,210,000	\$ 27,522,406	\$ 1,915,000	\$ 88,750

	Wastewater Improvement Revenue Refunding Bonds Series 2014		Wastewater Improvement Revenue Refunding Bonds Series 2016	
	Principal	Interest	Principal	Interest
2022	\$ 3,550,000	\$ 2,556,650	\$ 180,000	\$ 643,350
2023	3,705,000	2,409,650	190,000	637,950
2024	3,885,000	2,224,400	195,000	632,250
2025	-	2,069,000	200,000	626,400
2026	-	2,069,000	205,000	620,400
2027-2031	-	10,345,000	1,120,000	3,006,300
2032-2036	-	10,345,000	19,355,000	2,296,800
2037-2041	-	10,345,000	-	-
2042-2046	-	10,345,000	-	-
2047-2048	51,725,000	3,123,800	-	-
Total	\$ 62,865,000	\$ 55,832,500	\$ 21,445,000	\$ 8,463,450

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

	Wastewater Improvement Revenue Refunding Bonds Series 2017		Wastewater Improvement Revenue Refunding Bonds Series 2019	
	Principal	Interest	Principal	Interest
	2022	\$ 645,000	\$ 9,558,463	\$ -
2023	1,185,000	9,526,213	-	7,958,700
2024	2,280,000	9,466,962	-	7,958,700
2025	3,830,000	9,352,962	-	7,958,700
2026	5,520,000	9,161,463	-	7,958,700
2027-2031	25,965,000	41,383,563	-	39,793,500
2032-2036	42,550,000	34,718,463	98,310,000	35,536,950
2037-2041	102,315,000	23,108,575	146,695,000	11,523,050
2042-2043	55,550,000	3,354,800	-	-
Total	\$ 239,840,000	\$ 149,631,464	\$ 245,005,000	\$ 126,647,000

	Wastewater Improvement Revenue Refunding Bonds Series 2020		Wastewater Improvement Revenue Refunding Bonds Series 2021	
	Principal	Interest	Principal	Interest
	2022	\$ 1,665,000	\$ 7,317,539	\$ 1,770,000
2023	1,695,000	7,288,801	1,780,000	2,266,022
2024	1,725,000	7,258,681	1,785,000	2,259,703
2025	1,760,000	7,226,372	5,840,000	2,248,619
2026	1,795,000	7,190,767	7,605,000	2,200,380
2027-2031	25,175,000	35,153,767	30,815,000	9,664,917
2032-2036	30,315,000	30,871,968	12,930,000	7,633,388
2037-2041	38,940,000	26,335,195	1,405,000	6,920,816
2042-2046	89,070,000	16,753,355	49,140,000	6,067,571
2047-2049	47,885,000	3,194,730	-	-
Total	\$ 240,025,000	\$ 148,591,175	\$ 113,070,000	\$ 41,531,952

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

	Water Pollution Control Loans		Future Debt Service Requirements Total	
	Principal	Interest	Principal	Interest
2022	\$ 49,313,353	\$ 14,618,723	\$ 59,038,353	\$ 48,117,072
2023	53,571,257	14,012,527	62,126,257	47,204,224
2024	50,128,464	12,918,563	59,998,464	45,823,620
2025	53,647,434	14,484,951	65,277,434	47,071,365
2026	51,016,134	13,354,437	67,681,134	45,659,508
2027-2031	195,024,894	53,005,355	342,724,894	203,659,158
2032-2036	164,807,352	32,940,069	387,312,352	155,036,483
2037-2041	107,492,322	19,145,168	396,847,322	97,377,804
2042-2046	61,882,986	11,393,859	255,642,985	47,914,585
2047-2051	60,763,395	5,108,306	160,373,395	11,426,836
2052-2056	16,031,756	614,280	16,031,757	614,280
Total	\$ 863,679,347	\$ 191,596,238	\$ 1,873,054,347	\$ 749,904,935

At December 31, 2021, the District received partial proceeds in the amount of \$42,630,526 for a Water Pollution Control Loan. The loan will be repaid in semi-annual installments. The District has not collected the total proceeds of the loan, and as a result, the debt maturity schedules above do not reflect any amounts for principal or interest as the future maturities are not known at December 31, 2021.

Bond premium and discount activity for 2021 is as follows:

<u>December 31, 2021</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium, Series 2013	\$ 1,014,638	\$ (324,319)	\$ (638,409)	\$ -	\$ 51,910
Bond Premium, Series 2014	10,871,989	(1,318,822)	(6,248,533)	-	3,304,634
Bond Discount, Series 2016	(16,641)	1,608	-	-	(15,033)
Bond Premium, Series 2017	14,288,170	(1,349,523)	-	-	12,938,647
Bond Premium, Series 2019	17,808,973	(1,697,084)	-	-	16,111,889
Total	\$ 43,967,129	\$ (4,688,140)	\$ (6,886,942)	\$ -	\$ 32,392,047

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

Bond premium and discount activity for 2020 is as follows:

<u>December 31, 2020</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium, Series 2013	\$ 1,273,013	\$ (258,375)	\$ -	\$ -	\$ 1,014,638
Bond Premium, Series 2014	26,812,790	-	(15,940,801)	-	10,871,989
Bond Discount, Series 2016	(18,381)	1,740	-	-	(16,641)
Bond Premium, Series 2017	15,783,525	(1,495,355)	-	-	14,288,170
Bond Premium, Series 2019	19,835,246	(2,026,273)	-	-	17,808,973
Total	<u>\$ 63,686,193</u>	<u>\$ (3,778,263)</u>	<u>\$(15,940,801)</u>	<u>\$ -</u>	<u>\$ 43,967,129</u>

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

<u>December 31, 2021</u>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in 2022
Wastewater Improvement Revenue Bonds, Series 2010	\$ 85,210,000	\$ -	\$ -	\$ 85,210,000	\$ -
Wastewater Improvement Revenue Bonds, Series 2013	20,215,000	-	(18,300,000)	1,915,000	1,915,000
Wastewater Improvement Revenue Bonds, Series 2014	179,925,000	-	(117,060,000)	62,865,000	3,550,000
Wastewater Improvement Revenue Refunding Bonds, Series 2016	21,620,000	-	(175,000)	21,445,000	180,000
Wastewater Improvement Revenue Refunding Bonds, Series 2017	240,455,000	-	(615,000)	239,840,000	645,000
Wastewater Improvement Revenue Refunding Bonds, Series 2019	245,005,000	-	-	245,005,000	-
Wastewater Improvement Revenue Refunding Bonds, Series 2020	241,665,000	-	(1,640,000)	240,025,000	1,665,000
Wastewater Improvement Revenue Revenue Refunding Bonds, series 2021	-	114,295,000	(1,225,000)	113,070,000	1,770,000
Water Pollution Control Loan Funds (WPCLF)	814,932,184	130,442,454	(39,064,765)	906,309,873	49,313,353
Total Bonds and WPCLF	<u>1,849,027,184</u>	<u>244,737,454</u>	<u>(178,079,765)</u>	<u>1,915,684,873</u>	<u>59,038,353</u>
Net Pension Liability - OPERS	70,790,382	-	(17,957,401)	52,832,981	-
Net OPEB Liability - OPERS	52,775,589	-	(52,775,589)	-	-
Long Term Asset Retirement Obligation	490,105	-	(389,275)	100,830	20,880
Total	<u>\$ 1,973,083,260</u>	<u>\$ 244,737,454</u>	<u>\$ (249,202,030)</u>	<u>\$ 1,968,618,684</u>	<u>\$ 59,059,233</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 6: Long-Term Obligations (continued)

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

<u>December 31, 2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due in 2021</u>
Wastewater Improvement Revenue Bonds, Series 2010	\$ 85,210,000	\$ -	\$ -	\$ 85,210,000	\$ -
Wastewater Improvement Revenue Bonds, Series 2013	24,730,000	-	(4,515,000)	20,215,000	3,850,000
Wastewater Improvement Revenue Refunding Bonds, Series 2014	391,870,000	-	(211,945,000)	179,925,000	3,385,000
Wastewater Improvement Revenue Refunding Bonds, Series 2016	21,790,000	-	(170,000)	21,620,000	175,000
Wastewater Improvement Revenue Refunding Bonds, Series 2017	241,040,000	-	(585,000)	240,455,000	615,000
Wastewater Improvement Revenue Refunding Bonds, Series 2019	245,005,000	-	-	245,005,000	-
Wastewater Improvement Revenue Refunding Bonds, Series 2020	-	244,895,000	(3,230,000)	241,665,000	1,640,000
Water Pollution Control Loans Fund (WPCLF)	<u>707,522,345</u>	<u>166,502,183</u>	<u>(59,092,344)</u>	<u>814,932,184</u>	<u>42,633,417</u>
Total Bonds and WPCLF	<u>1,717,167,345</u>	<u>411,397,183</u>	<u>(279,537,344)</u>	<u>1,849,027,184</u>	<u>52,298,417</u>
Net Pension Liability - OPERS	97,078,586	-	(26,288,204)	70,790,382	-
Net OPEB Liability - OPERS	49,956,323	2,819,266	-	52,775,589	-
Long Term Asset Retirement Obligation	490,105	-	-	490,105	73,516
Total	<u>\$1,864,692,359</u>	<u>\$ 414,216,449</u>	<u>\$(305,825,548)</u>	<u>\$1,973,083,260</u>	<u>\$52,371,933</u>

Note 7: 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

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 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.

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 8 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. District 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):

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 Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	State and Local Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	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
Combined Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

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%.

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 (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.

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

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 2021 for the traditional and combined plans. The portion of the employer’s contribution allocated to health care was 4% for the member-directed plan for 2021. 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, net of postemployment health care benefits, for 2021 and 2020 was \$6,780,278 and \$7,048,188, respectively. The contractually required contribution for the combined plan, net of postemployment health care benefits, for 2021 and 2020 were \$341,736 and \$349,095, respectively. Of these amounts, \$238,466 and \$131,342 were reported as intergovernmental payables for 2021 and 2020, 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 benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in valuation of total pension liability/asset - 2020:

	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% wage 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 through 2021 then 2.15% Simple

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% to 0.50% simple through 2021 then 2.15% simple.

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 weighting 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. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

<u>Asset Class</u>	2020 Target Allocation	2020 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.0%	1.32%
Domestic equities	21.0%	5.64%
Real estate	10.0%	5.39%
Private equity	12.0%	10.42%
International equities	23.0%	7.36%
Other investments	<u>9.0%</u>	<u>4.75%</u>
Total	<u>100.0%</u>	<u>5.43%</u>

Discount Rate The discount rate used to measure the total pension liability for measurement year 2020 was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 of 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

District's proportionate share of net pension liability (asset) at December 31, 2021:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
District's proportionate share of the net pension liability – traditional	\$ 100,779,186	\$ 52,832,981	\$ 12,965,785
District's proportionate share of the net pension asset – combined	\$ (1,137,129)	\$ (1,633,076)	\$ (2,002,705)

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

Changes between Measurement Date and Report Date

During 2021, the OPERS Board lowered the investment rate of return from 7.2% to 6.9% along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Key Methods and Assumptions Used in Valuation of Total Pension Liability - 2019

<u>Actuarial Information</u>	<u>OPERS Traditional Plan</u>	<u>OPERS 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
<u>Actuarial Assumptions:</u>		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increase	3.25-10.75%	3.25-8.25%
COLA:	includes 3.25% wage inflation) (includes 3.25% wage inflation)	
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple through 2020 then 2.15% Simple

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

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

During 2019, 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 17.2% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	2019 Target Allocation	2019 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.0%	1.83%
Domestic equities	19.0%	5.75%
Real estate	10.0%	5.20%
Private equity	12.0%	10.70%
International equities	21.0%	7.66%
Other investments	<u>13.0%</u>	<u>4.98%</u>
Total	<u>100.0%</u>	<u>5.61%</u>

Discount Rate The discount rate used to measure the total pension liability (asset) for measurement year 2019 was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

Actuarial Assumptions - OPERS (continued)

Sensitivity of the Sewer District's Proportionate Share of the Net Pension Liability 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 of 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

District's proportionate share of net pension (asset) at December 31, 2020:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
District's proportionate share of the net pension liability – traditional	\$ 116,756,248	\$ 70,790,382	\$ 29,468,417
District's proportionate share of the net pension asset – combined	\$ (736,631)	\$ (1,219,092)	\$ (1,566,803)

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, 2021 and 2020, was measured as of December 31, 2020 and 2019, 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.

2021 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	0.358148%	0.584628%	
Proportion of the net pension liability/asset current measurement date	<u>0.356791%</u>	<u>0.565736%</u>	
Change in Proportionate Share	0.001357%	(0.018892%)	
Proportionate share of the net pension asset	\$ -	\$ 1,633,076	\$ 1,633,076
Proportionate share of the net pension liability	\$ 52,832,981	\$ -	\$ 52,832,981
Pension expense	\$ 602,481	\$ 43,824	\$ 646,305

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

2020 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	0.354457%	0.634615%	
Proportion of the net pension liability/asset current measurement date	<u>0.358148%</u>	<u>0.584628%</u>	
Change in Proportionate Share	0.003691%	(0.049987%)	
Proportionate share of the net pension assets	\$ -	\$ 1,219,092	\$ 1,219,092
Proportionate share of the net pension liability	\$ 70,790,382	\$ -	\$ 70,790,382
Pension expense	\$ 12,529,477	\$ 141,927	\$ 12,671,404

At December 31, 2021, 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			
District contributions subsequent to the measurement date	\$ 6,780,278	\$ 341,736	\$ 7,122,014
Differences in employer contributions and change in proportionate share	113,209	86,299	199,508
Change in assumptions	<u>-</u>	<u>101,987</u>	<u>101,987</u>
Total deferred outflow of resources	\$ <u>6,893,487</u>	\$ <u>530,022</u>	\$ <u>7,423,509</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	\$ 188,279	\$ 34,263	\$ 222,542
Differences between projected and actual earnings on pension plan investments	20,592,753	242,863	20,835,616
Difference between expected and actual experience	<u>2,210,048</u>	<u>308,095</u>	<u>2,518,143</u>
Total deferred inflow of resources	\$ <u>22,991,080</u>	\$ <u>585,221</u>	\$ <u>23,576,301</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 7: Pension Plans (continued)

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

The \$7,122,014 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, 2022. 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:			
2022	\$ (8,704,780)	\$ (111,608)	\$ (8,816,388)
2023	(2,970,238)	(68,943)	(3,039,181)
2024	(8,394,305)	(124,962)	(8,519,267)
2025	(2,808,548)	(55,277)	(2,863,825)
2026	-	(17,097)	(17,097)
Thereafter	-	(19,048)	(19,048)
	<u>\$ (22,877,871)</u>	<u>\$ (396,935)</u>	<u>\$ (23,274,806)</u>

At December 31, 2020, 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			
District contributions subsequent to the measurement date	\$ 7,048,188	\$ 349,095	\$ 7,397,283
Differences in employer contributions and change in proportionate share	317,004	72,021	389,025
Change in assumptions	<u>3,781,035</u>	<u>125,702</u>	<u>3,906,737</u>
Total deferred outflow of resources	<u>\$ 11,146,227</u>	<u>\$ 546,818</u>	<u>\$ 11,693,045</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	\$ 448,081	\$ 41,619	\$ 489,700
Differences between projected and actual earnings on pension plan investments	14,121,091	158,122	14,279,213
Difference between expected and actual experience	<u>895,043</u>	<u>286,205</u>	<u>1,181,248</u>
Total deferred inflow of resources	<u>\$ 15,464,215</u>	<u>\$ 485,946</u>	<u>\$ 15,950,161</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions

Plan Description - Ohio Public Employees Retirement System

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the traditional plan, a defined benefit plan; the combined plan, a combination defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and 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.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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, 2020, measurement date health care valuation.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: 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, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become 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 will 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.

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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021 and 2020, 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 plan and combined plan was 0% for 2021 and 2020. The portion of employer contributions allocated to health care for members in the member-direct plan was 4% during 2021 and 2020.

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.

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 \$199,299 and \$200,640 for 2021 and 2020, respectively.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (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 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, 2019, rolled forward to the measurement date of December 31, 2020. 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 - 2020

	<u>Assumptions</u>
Valuation date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age normal
Projected salary increases, including 3.25% wage inflation	3.25 to 10.75%
Projected payroll/active member increase	3.25% per year
Investment rate of return	6.00%
Municipal bond rate	2.00%
Single discount rate of return	6.00%
Health care cost trend	Initial 8.5% to 3.5% ultimate in 2035

The total OPEB liability for the measurement period December 31, 2019 was determined using the following actuarial assumptions that follow.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

	<u>Assumptions</u>
Valuation date	December 31, 2018
Rolled-forward measurement date	December 31, 2019
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age normal
Projected salary increases, including 3.25% inflation	3.25 to 10.75%
Projected payroll/active member increase	3.25% per year
Investment rate of return	6.00%
Municipal bond rate	2.75%
Single discount rate of return	3.16%
Health care cost trend	Initial 10.5% to 3.50% ultimate in 2030

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: 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 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 weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. 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>	2020 Target Allocation	2020 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	34.0%	1.07%
Domestic equities	25.0%	5.64%
Real estate investment trusts	7.0%	6.48%
International equities	25.0%	7.36%
Other investments	<u>9.0%</u>	4.02%
Total	<u>100.0%</u>	4.43%
<u>Asset Class</u>	2019 Target Allocation	2019 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	36.0%	1.53%
Domestic equities	21.0%	5.75%
Real estate	6.0%	5.69%
International equities	23.0%	7.66%
Other investments	<u>14.0%</u>	<u>4.90%</u>
Total	<u>100.0%</u>	<u>4.55%</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

Discount rate A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. 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 2.00% (Fidelity Index's "20-Year Municipal GO AA Index") for the measurement date of December 31, 2020. 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, 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 Asset to Changes in the Discount Rate The following table presents the Sewer District's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the Sewer District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
District's proportionate share of the net OPEB Asset	\$ (1,692,012)	\$ (6,804,636)	\$ (11,007,626)

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

The following table presents the Sewer District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for December 31, 2020.

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	\$ 69,065,323	\$ 52,775,589	\$ 39,732,811

Sensitivity of the Sewer District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate for December 31, 2021.

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 2021 is 8.5%. 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.

	1% Decrease	Health Care Cost Current Discount Rate	1% Increase
District's proportionate share of the net OPEB Asset	\$ (6,970,478)	\$ (6,804,636)	\$ (6,619,090)

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate for December 31, 2020.

	1% Decrease	Health Care Cost Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 51,218,226	\$ 52,775,589	\$ 54,313,098

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions - OPERS (continued)

Assumption Changes Since the Prior Measurement Date Municipal bond rate changed from 2.75% to 2.00% and the single discount rate changed from 3.16% to 6.00%. 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.

Changes between Measurement Date and Reporting Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

OPEB Asset, Deferred Outflows, Deferred Inflows and OPEB Expense - OPERS

The net OPEB asset for OPERS as of December 31, 2021, was measured as of December 31, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The Sewer District's proportion of the net OPEB asset 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.

District's proportionate share of net OPEB liability at December 31, 2021:

	OPERS
Proportion of the net OPEB liability prior measurement date	0.382083%
Proportion of the net OPEB liability current measurement date	0.381944%
Change in proportionate share	(0.000139%)
Proportionate share of the net OPEB Asset	\$ (6,804,636)
OPEB expense	\$ (41,328,716)

At December 31, 2021, the District reported deferred outflow and inflow of resources related to the net OPEB asset from OPERS OPEB plan, based on December 31, 2020 measurement, as indicated in the table below:

	OPERS
Deferred outflow of resources	
Change in assumptions	\$ 3,345,239
Contributions subsequent to the measurement date	199,299
Total deferred outflow of resources	\$ 3,544,538

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 8: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

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

Deferred inflow of resources

Difference between expected and actual experience	\$ 6,141,146
Change in assumptions	11,025,552
Difference between projected and actual earnings on plan investments	3,624,244
Differences in employer contributions and change in proportionate share	<u>136,252</u>
Total deferred inflow of resources	\$ <u>20,927,194</u>

The \$199,299 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 an increase of the net OPEB asset in the year ending December 31, 2022. 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:	
2022	\$ (9,217,577)
2023	(6,362,383)
2024	(1,574,949)
2025	<u>(427,046)</u>
	\$ <u>(17,581,955)</u>

District's proportionate share of net OPEB liability at December 31, 2020:

	OPERS
Proportion of the net OPEB liability prior measurement date	0.383170%
Proportion of the net OPEB liability current measurement date	<u>0.382083%</u>
Change in proportionate share	(0.001087%)
Proportionate share of the net OPEB liability	\$ 52,775,589
OPEB expense	\$ 6,633,531

At December 31, 2020, the Sewer District reported deferred outflow and inflow of resources related to OPEB liabilities from OPERS OPEB plan, based on December 31, 2019 measurement, as indicated in the table below:

	OPERS
Deferred outflow of resources	
Difference between expected and actual experience	\$ 1,415
Change in assumptions	8,353,814
Differences in employer contributions and change in proportionate share	77,781
Contributions subsequent to the measurement date	<u>200,641</u>
Total deferred outflow of resources	\$ <u>8,633,651</u>
Deferred inflow of resources	
Difference between expected and actual experience	\$ 4,826,571
Difference between projected and actual earnings on plan investments	2,687,319
Differences in employer contributions and change in proportionate share	<u>450,207</u>
Total deferred inflow of resources	\$ <u>7,964,097</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 9: 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. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans". In accordance with the provisions of GASB Statement No. 32, at December 31, 2021 and 2020, the assets of both plans met the applicable trust requirements and are therefore excluded from the Sewer District's financial statements.

Note 10: 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
2021	\$ 82,009	\$ (9,945)	\$ 33,329	\$ 105,393
2020	\$ 109,175	\$ (84,305)	\$ 57,139	\$ 82,009

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, 2021 is estimated to be paid during the year ending December 31, 2022. The Sewer District's insurance reserves as of December 31, 2021 and 2020 were \$17,960,572 and \$19,134,787; 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, 2021 and 2020

Note 10: 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 \$775,442 and \$918,993 reported at December 31, 2021 and 2020, 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, 2021 is estimated to be paid during the year ending December 31, 2022. The balance as of December 31, 2020 is estimated to be paid during the year ending December 31, 2021.

Changes in the claims liability amounts in 2021 and 2020 were as follows:

	Beginning of Year	Current year Claims	Claims Payment	End of Year
2021	\$ 918,993	\$ 10,580,161	\$ (10,723,712)	\$ 775,442
2020	\$ 998,337	\$ 10,095,670	\$ (10,175,014)	\$ 918,993

Note 11: 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, 2021, and 2020, the Sewer District did not anticipate any failures that would result in such penalties.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 11: Commitments and Contingencies (continued)

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 12: 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 and Fixed Income Securities 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.

	Level 1	Level 2	Level 3	Total at 12/31/2021
<u>Short-Term Investments</u>				
Money Market Funds	\$ 266,865,803	\$ -	\$ -	\$ 266,865,803
Huntington Contractors Escrow	3,490,768	-	-	3,490,768
Fixed Income Securities	-	10,130,451	-	10,130,451
U.S. Gov't Obligation	-	94,013,085	-	94,013,085
<u>Long Term Investments</u>				
Fixed Income Securities	-	16,584,484	-	16,584,484
U.S. Gov't Obligations	-	67,482,229	-	67,482,229
<u>Revenue Bond Debt Service Fund</u>				
Money Market Funds	35,239	-	-	35,239
U.S. Gov't Obligations	-	11,429,325	-	11,429,325
Total	\$ 270,391,810	\$ 199,639,574	\$ -	\$ 470,031,384

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 12: Fair Value Measurements (continued)

Financial assets at December 31, 2020 consisted of the following:

	Level 1	Level 2	Level 3	Total at 12/31/2020
<u>Short-Term Investments</u>				
Money Market Funds	\$ 281,473,041	\$ -	\$ -	\$ 281,473,041
Certificates of Deposit	-	7,545,789	-	7,545,789
U.S. Treasury Bills	41,074,881	-	-	41,074,881
Fixed Income Securities	-	8,160,957	-	8,160,957
U.S. Gov't Obligation	-	35,335,777	-	35,335,777
<u>Long Term Investments</u>				
Fixed Income Securities	-	26,628,978	-	26,628,978
U.S. Gov't Obligations	-	8,199,655	-	8,199,655
<u>Revenue Bond Debt Service Fund</u>				
Money Market Funds	29,843	-	-	29,843
U.S. Gov't Obligations	-	12,164,892	-	12,164,892
Total	<u>\$ 322,577,765</u>	<u>\$ 98,036,048</u>	<u>\$ -</u>	<u>\$ 420,613,813</u>

Note 13: Changes in Accounting Principles

Standards Implemented in FY 2021

Newly Adopted Accounting Pronouncements - For the year ended December 31, 2021, the Sewer District implemented the following Governmental Accounting Standards issued by the GASB:

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018. This Statement establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. Implementation of this standard had no effect on the Sewer District's financial statements or disclosures.

GASB Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*, issued in April 2019, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide were originally effective for reporting periods beginning after June 15, 2019 but were postponed to reporting periods beginning after June 15, 2020 by GASB Statement No. 95. Implementation of this Implementation Guide had no effect on the Sewer District's financial statements or disclosures.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 13: Changes in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued in October of 2021. This Statement establishes the term annual comprehensive financial report and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Implementation of this Implementation Guide had no effect on the Sewer District's financial statements or disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 87, *Leases*, was issued June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021.

GASB Implementation Guide No. 2019-3, *Leases*, was issued in August 2019, to provide guidance that clarifies, explains or elaborates on the requirements of Statement No. 87, *Leases*. The requirements of this Implementation Guide were originally effective for reporting periods beginning after December 15, 2019 but have been postponed to fiscal years beginning after June 15, 2021 by GASB Statement No. 95.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2020 but have been postponed to reporting periods beginning after December 15, 2021 by GASB Statement No. 95.

GASB Statement No. 92, *Omnibus 2020*, issued in January 2020, 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 effective date of this standard is reporting periods beginning after June 15, 2021.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 13: Changes in Accounting Principles (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2020, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after Dec. 31, 2021. The effective date of this standard is reporting periods beginning after June 15, 2021.

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.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, 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). 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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*, was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective immediately, with the exception of the requirements related to the accounting and financial reporting for Section 457 plans which are effective for fiscal years beginning after June 15, 2021.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2021 and 2020

Note 13: Changes in Accounting Principles (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

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.

GASB Implementation Guide No. 2020-1, *Implementation Guidance Update - 2020*, issued in April 2020, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide have varying effective dates, but begin with reporting periods beginning after June 15, 2021, and apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer.

GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*, issued in May of 2021, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide have varying effective dates, but begin with reporting periods beginning after June 15, 2021, and apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer.

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

Note 14: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 will impact subsequent periods, however the impact on future operating revenues and expenses cannot be estimated at this time.

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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 Eight Years *

Traditional Plan	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	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	\$ 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	\$ 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	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	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	n/a
Combined Plan	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Asset	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	\$ 1,633,076	\$ 1,219,092	\$ 709,645	\$ 931,953	\$ 324,913	\$ 258,537	\$ 206,196	\$ 56,194
District's Covered Payroll	\$ 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	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	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	n/a

* Amounts presented for each year were determined as of the District's measurement date, which is the prior year-end. Although this schedule is intended to reflect information for ten years, information prior to 2014 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's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System**

For the Last Five Years *

	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.381944%	0.382083%	0.383170%	0.390720%	0.364608%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (6,804,636)	\$ 52,775,589	\$ 49,956,323	\$ 42,429,314	\$ 36,826,620
District's Covered Payroll	\$ 57,724,594	\$ 57,316,385	\$ 55,780,664	\$ 60,288,529	\$ 46,660,550
District's Proportion of the Net OPEB Liability as a Percentage of Its Covered Payroll	-11.79%	92.08%	89.56%	70.38%	78.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	n/a

* Amounts presented for each year were determined as of the 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contributions	\$ 6,780,278	\$ 7,048,188	\$ 6,792,330	\$ 6,728,485	\$ 6,800,173
Contributions in Relation to Contractually Required Contributions	<u>(6,780,278)</u>	<u>(7,048,188)</u>	<u>(6,792,330)</u>	<u>(6,728,485)</u>	<u>(6,800,173)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 48,430,557	\$ 50,344,200	\$ 48,516,643	\$ 48,060,622	\$ 52,309,025
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions	\$ 4,904,484	\$ 5,932,293	\$ 5,823,387	\$ 5,478,156	\$ 5,244,880
Contributions in Relation to Contractually Required Contributions	<u>(4,904,484)</u>	<u>(5,932,293)</u>	<u>(5,823,387)</u>	<u>(5,478,156)</u>	<u>(5,244,880)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 40,870,702	\$ 49,435,775	\$ 48,528,228	\$ 42,139,663	\$ 52,448,799
Contribution as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%	10.00%

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

	2021	2020	2019	2018	2017
Contractually Required Contributions	\$ 341,736	\$ 349,095	\$ 352,040	\$ 382,655	\$ 391,438
Contributions in Relation to Contractually Required Contributions	(341,736)	(349,095)	(352,040)	(382,655)	(391,438)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,440,971	\$ 2,493,536	\$ 2,514,571	\$ 2,733,250	\$ 3,011,061
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 262,724	\$ 273,026	\$ 267,975	\$ 252,089	\$ 241,354
Contributions in Relation to Contractually Required Contributions	(262,724)	(273,026)	(267,975)	(252,089)	(241,354)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,189,365	\$ 2,275,217	\$ 2,233,128	\$ 1,939,145	\$ 2,413,542
Contribution as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%	10.00%

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 Six Years *

	2021	2020	2019	2018	2017	2016
Contractually Required OPEB Contributions	\$ 199,299	\$ 200,641	\$ 184,030	\$ 109,330	\$ 602,885	\$ 933,211
Contributions in Relation to Contractually Required Contributions	(199,299)	(200,641)	(184,030)	(109,330)	(602,885)	(933,211)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 55,218,354	\$ 57,724,594	\$ 57,316,385	\$ 55,780,664	\$ 60,288,529	\$ 46,660,550
OPEB Contribution as a Percentage of Covered Payroll	0.36%	0.35%	0.32%	0.20%	1.00%	2.00%

* Amounts presented for each year were determined as of the District's measurement date, which is the prior year-end. 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, 2021 and 2020

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 - 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 - 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, 2021 and 2020

Note 1: Net Pension Liability (continued)

Changes in Assumptions - OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability - 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 - 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, 2021 and 2020

Note 1: Net Pension Liability (continued)

Changes in Assumptions - OPERS (continued)

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2021 and 2020

Note 2: Net OPEB Liability

Changes in Assumptions - OPERS OPEB

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 are effective 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.

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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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
User Charges:				
Billed	\$ 387,313,461	\$ 387,313,461	\$ 424,304,372	\$ 36,990,911
Other Revenue	733,602	733,602	2,315,085	1,581,483
Total Revenues	388,047,063	388,047,063	426,619,457	38,572,394
Expenses:				
Salary and Wages	60,614,850	60,460,517	56,168,749	4,291,768
Fringe Benefits (1)	25,768,993	25,768,993	(27,441,345)	53,210,338
Power	9,956,776	9,663,987	8,619,352	1,044,635
Materials and Supplies	9,547,734	9,737,408	9,099,006	638,402
Collection Fees	9,596,000	9,596,000	8,876,531	719,469
Gas	1,382,608	1,382,608	904,151	478,457
Chemicals	3,614,732	3,319,286	3,000,729	318,557
Repairs and Maintenance	4,547,476	4,633,676	3,649,209	984,467
Solids Handling	2,363,770	2,656,559	2,196,867	459,692
Water	1,072,865	1,072,865	868,341	204,524
Professional Services	18,623,769	18,747,309	14,900,635	3,846,674
Insurance	1,660,000	1,660,000	1,223,164	436,836
Judgements and Awards	210,000	210,000	(3,139)	213,139
Other Operating Expenses	25,059,679	25,110,044	12,383,646	12,726,398
Capitalized Construction Costs	(6,500,000)	(6,500,000)	(5,508,825)	(991,175)
Depreciation	83,719,249	83,719,249	85,526,726	(1,807,477)
Total Operating Expenses	251,238,501	251,238,501	174,463,797	76,774,704
Excess of Revenues Over Operating Expenses	\$ 136,808,562	\$ 136,808,562	\$ 252,155,660	\$ 115,347,098

(1) Fringe Benefits actual number includes unbudgeted amounts for pension and OPEB. The net impact on actual expenses was (\$48,003,724), of which, (\$6,475,709) was due to pension and (\$41,528,015) due to OPEB. For more detail, please see Notes 7 and 8 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, 2021

Reconciliation to Change in Net Position:

Excess of Operating Revenues Over Operating Expenses	\$	252,155,660
Interest Revenue		1,656,387
Decrease in Fair Value of Investments, Net		(980,218)
Green Infrastructure Program		(1,295,007)
Member Infrastructure Community Program		(5,079,830)
Stormwater Community Cost-Share Disbursement		(9,617,923)
Loss on Disposals of Equipment		(11,914,948)
Loss on Bond Defeasance		(1,039,979)
Loss on Non-Operating Miscellaneous Transactions		(11,300)
Interest Expense on Long-Term Debt		(55,905,229)
Asset Retirement Obligation Non-Operating Transaction		297,885
Federal Subsidy Revenue		1,529,360
		<hr/>
Change in Net Position		169,794,858
Net Position at Beginning of Year		1,691,044,345
		<hr/>
Net Position at End of Year	\$	<u>1,860,839,203</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

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

For the years ended December 31, 2021 and 2020

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 \$50,000. 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 District's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand the District's financial performance and well-being and how they have changed over time.</i>	94
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant revenue source, user charges.</i>	98
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	106
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	108
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	110
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>	116

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

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

	2021	2020	2019 (4)	2018
Net Investment in Capital Assets	\$ 1,258,993,569	\$ 1,233,425,735	\$ 1,231,162,062	\$ 1,196,966,572
Restricted - Stormwater Community Cost-Share	31,470,340	30,484,566	25,911,002	24,045,802
Unrestricted	570,375,294	427,134,044	334,778,341	308,553,975
Total	\$ 1,860,839,203	\$ 1,691,044,345	\$ 1,591,851,405	\$ 1,529,566,349

Notes:

- (1) 2012 restated to comply with GASB 65.
- (2) 2014 restated to comply with GASB 68.
- (3) 2017 restated to comply with GASB 75.
- (4) 2019 restated to comply with GASB 83.

Source: Sewer District accounting records.

<u>2017 (3)</u>	<u>2016</u>	<u>2015</u>	<u>2014 (2)</u>	<u>2013</u>	<u>2012 (1)</u>
\$ 1,107,066,113	\$ 990,664,879	\$ 786,650,331	\$ 1,018,734,360	\$ 1,067,650,046	\$ 1,065,405,939
17,185,754	8,203,008	-	-	-	-
<u>328,892,633</u>	<u>427,487,655</u>	<u>571,255,854</u>	<u>284,669,454</u>	<u>248,677,688</u>	<u>235,652,225</u>
<u><u>\$ 1,453,144,500</u></u>	<u><u>\$ 1,426,355,542</u></u>	<u><u>\$ 1,357,906,185</u></u>	<u><u>\$ 1,303,403,814</u></u>	<u><u>\$ 1,316,327,734</u></u>	<u><u>\$ 1,301,058,164</u></u>

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

	2021	2020	2019	2018	2017
Operating Revenues, Net - Sewage					
Billing Agents	\$ 351,000,147	\$ 320,790,742	\$ 310,986,925	\$ 301,523,258	\$ 273,964,177
Direct Billed	28,922,149	29,349,538	27,610,406	23,142,825	22,848,020
Other (1)	2,315,085	1,934,392	1,615,509	1,392,876	2,567,476
Total Operating Revenues, Net - Sewage	<u>382,237,381</u>	<u>352,074,672</u>	<u>340,212,840</u>	<u>326,058,959</u>	<u>299,379,673</u>
Operating Revenues, Net - Stormwater					
Billing Agents	43,519,426	43,886,592	43,907,185	43,029,033	43,734,464
Direct Billed	862,650	808,341	927,462	935,644	766,301
Other	-	(173)	-	-	-
Total Operating Revenues, Net - Stormwater	<u>44,382,076</u>	<u>44,694,760</u>	<u>44,834,647</u>	<u>43,964,677</u>	<u>44,500,765</u>
Operating Revenues, Net - District Total	<u>426,619,457</u>	<u>396,769,432</u>	<u>385,047,487</u>	<u>370,023,636</u>	<u>343,880,438</u>
Operating Expenses - Sewage					
Salaries and Wages	52,707,793	53,664,151	53,823,645	52,726,122	52,144,371
Fringe Benefits	(27,988,319)	31,440,808	40,663,563	31,535,641	29,221,894
Utilities	11,364,347	12,234,202	12,248,936	14,729,821	13,601,569
Professional and Contractual Services	24,500,508	25,437,661	25,952,405	32,255,207	32,211,644
Other (1)	10,435,818	9,223,437	9,846,136	5,708,698	4,575,795
Stormwater Indirect Cost Allocation	(4,303,771)	(4,096,133)	(4,186,298)	(3,974,441)	(3,755,359)
Depreciation (7)	85,513,526	81,614,727	80,596,851	71,733,140	71,496,416
Total Operating Expenses - Sewage	<u>152,229,902</u>	<u>209,518,853</u>	<u>218,945,238</u>	<u>204,714,188</u>	<u>199,496,330</u>
Operating Expenses - Stormwater					
Salaries and Wages	3,460,956	3,509,846	3,257,406	2,606,546	1,353,653
Fringe Benefits	546,974	593,766	526,322	382,135	196,233
Professional and Contractual Services	13,802,080	17,556,797	34,238,683	23,472,515	19,503,698
Other (1)	106,914	100,972	109,590	756,779	121,598
Stormwater Indirect Cost Allocation (6)	4,303,771	4,096,133	4,186,298	3,974,441	3,755,359
Depreciation (7)	13,200	-	-	-	-
Total Operating Expenses - Stormwater	<u>22,233,895</u>	<u>25,857,514</u>	<u>42,318,299</u>	<u>31,192,416</u>	<u>24,930,541</u>
Total Operating Expenses - District Total	<u>174,463,797</u>	<u>235,376,367</u>	<u>261,263,537</u>	<u>235,906,604</u>	<u>224,426,871</u>
Operating Income	252,155,660	161,393,065	123,783,950	134,117,032	119,453,567
Non-Operating Revenues (Expenses), Net					
Interest Revenue	1,656,387	4,468,117	7,843,503	5,573,074	3,833,084
(Decrease) Increase in Fair Value of Investments, Net	(980,218)	996,621	604,848	378,689	(518,063)
Non-Operating Grant Revenue	-	-	-	521,873	206,905
Non-Operating Grant Expenses	-	-	(177,781)	(4,534)	(97,733)
Proceeds on Insurance Claims (2)	-	-	-	-	7,112
Green Infrastructure Program (4)	(1,295,007)	(1,286,128)	(2,102,179)	(1,361,640)	(1,318,460)
Member Community Infrastructure Program (4)	(5,079,830)	(4,184,855)	(2,331,313)	(4,911,520)	(3,118,863)
Stormwater Community Cost Share Disbursement (3)	(9,617,923)	(7,320,593)	(8,511,830)	(4,218,308)	(2,626,418)
Loss on Disposals of Equipment	(11,914,948)	(520,567)	(649,659)	(385,744)	(301,070)
Loss on Bond Defeasance	(1,039,979)	-	-	-	-
Loss on Non-Operating Miscellaneous Transactions	(11,300)	-	-	-	-
Loss on Extraordinary Events	-	-	-	-	-
Interest Expense on Long-Term Debt	(55,905,229)	(55,891,482)	(60,975,839)	(59,784,224)	(58,980,224)
Asset Retirement Obligation Non-Operating Transaction	297,885	-	-	-	-
Federal Subsidy Revenue	1,529,360	1,538,762	4,801,356	6,497,151	6,472,856
Total Non-Operating Revenues (Expenses), Net	<u>(82,360,802)</u>	<u>(62,200,125)</u>	<u>(61,498,894)</u>	<u>(57,695,183)</u>	<u>(56,440,874)</u>
Capital Contributions	-	-	-	-	-
Change in Net Position	<u>\$ 169,794,858</u>	<u>\$ 99,192,940</u>	<u>\$ 62,285,056</u>	<u>\$ 76,421,849</u>	<u>\$ 63,012,693</u>

(1) Other Non-Operating Expenses include Agreement with the Cleveland Metroparks.

(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) Restated to comply with GASB 65.

(6) Beginning 2016, the 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.

(7) Restated to comply with GASB 83.

Source: Sewer District accounting records.

2016	2015	2014	2013	2012 (5)
\$ 266,840,893	\$ 237,570,432	\$ 220,621,174	\$ 192,601,300	\$ 171,056,663
17,970,171	16,684,685	17,685,946	16,227,994	14,832,256
1,972,379	5,428,088	878,279	960,830	1,352,457
286,783,443	259,683,205	239,185,399	209,790,124	187,241,376
25,487,614	20,424,261	-	-	-
765,778	322,691	-	-	-
-	-	-	-	-
26,253,392	20,746,952	-	-	-
313,036,835	280,430,157	239,185,399	209,790,124	187,241,376
49,878,369	47,918,213	46,226,508	43,889,545	41,255,137
22,495,670	14,563,011	14,610,845	14,203,943	13,657,026
14,187,719	16,284,328	15,267,723	14,898,125	13,979,812
29,842,682	21,988,568	22,286,370	24,747,308	21,827,170
2,587,719	3,725,796	3,807,036	2,155,767	3,387,828
(3,612,532)	-	-	-	-
66,605,940	62,825,528	57,171,918	50,179,846	51,187,381
181,985,567	167,305,444	159,370,400	150,074,534	145,294,354
590,438	-	-	-	-
82,758	-	-	-	-
4,517,336	-	-	-	-
50,417	-	-	-	-
3,612,532	-	-	-	-
-	-	-	-	-
8,853,481	-	-	-	-
190,839,048	167,305,444	159,370,400	150,074,534	145,294,354
122,197,787	113,124,713	79,814,999	59,715,590	41,947,022
2,901,760	2,526,049	993,560	1,879,311	2,827,947
494,661	(1,173,193)	295,828	(417,004)	(888,925)
223,125	1,383,547	1,304,233	1,383,517	758,941
(187,668)	(707,409)	(4,259,001)	(1,520,478)	(758,941)
64,597	-	-	-	792,245
-	-	-	-	-
-	-	-	-	-
(72,190)	-	-	-	-
(3,319,289)	(4,323,785)	(3,913,066)	(340,588)	(622,504)
-	-	-	-	-
-	-	-	-	-
(1,614)	(180,025)	-	-	-
(60,317,727)	(62,616,911)	(59,922,594)	(51,757,865)	(44,717,920)
-	-	-	-	-
6,465,915	6,469,385	6,438,149	6,327,087	6,941,401
(53,748,430)	(58,622,342)	(59,062,891)	(44,446,020)	(35,667,756)
-	-	-	-	920,067
\$ 68,449,357	\$ 54,502,371	\$ 20,752,108	\$ 15,269,570	\$ 7,199,333

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Operating Revenues, Net</u>				
Sewage and Stormwater Service Fees				
City of Cleveland Billing Agent	\$ 387,061,089	\$ 357,782,897	\$ 348,360,168	\$ 338,466,864
Other Billing Agents	7,458,484	6,894,437	6,533,942	6,085,427
Other Sewage and Stormwater Service Fees	29,784,799	30,157,879	28,537,868	24,078,469
Other Operating Revenue	<u>2,315,085</u>	<u>1,934,219</u>	<u>1,615,509</u>	<u>1,392,876</u>
Total Operating Revenues, Net	426,619,457	396,769,432	385,047,487	370,023,636
<u>Non-Operating Revenues, Net</u>				
Interest Revenue	1,656,387	4,468,117	7,843,503	5,573,074
(Decrease) Increase in Fair Value of Investments, Net	(980,218)	996,621	604,848	378,689
Proceeds from Insurance Claims (1)	-	-	-	-
Asset Retirement Obligation Non-Operating Transactions	297,885	-	-	-
Federal Subsidy Revenue	1,529,360	1,538,762	4,801,356	6,497,151
Non-Operating Grant Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,873</u>
Total Non-Operating Revenues, Net	2,503,414	7,003,500	13,249,707	12,970,787
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 429,122,871</u>	<u>\$ 403,772,932</u>	<u>\$ 398,297,194</u>	<u>\$ 382,994,423</u>

(1) Proceeds from Southerly Flood event.

Source: Sewer District accounting records.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 311,616,663	\$ 275,275,862	\$ 242,170,836	\$ 206,720,248	\$ 179,391,021	\$ 159,114,027
6,081,978	17,052,645	15,823,857	13,900,926	13,210,279	11,942,636
23,614,321	18,735,949	17,007,376	17,685,946	16,227,994	14,832,256
<u>2,567,476</u>	<u>1,972,379</u>	<u>5,428,088</u>	<u>878,279</u>	<u>960,830</u>	<u>1,352,457</u>
343,880,438	313,036,835	280,430,157	239,185,399	209,790,124	187,241,376
3,833,084	2,901,760	2,526,049	993,560	1,879,311	2,827,947
(518,063)	494,661	(1,173,193)	295,828	(417,004)	(888,925)
7,112	64,597	-	-	-	792,245
-	-	-	-	-	-
6,472,856	6,465,915	6,469,385	6,438,149	6,327,087	6,941,401
<u>206,905</u>	<u>223,125</u>	<u>1,383,547</u>	<u>1,304,233</u>	<u>1,383,517</u>	<u>758,941</u>
10,001,894	10,150,058	9,205,788	9,031,770	9,172,911	10,431,609
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,067</u>
<u><u>\$ 353,882,332</u></u>	<u><u>\$ 323,186,893</u></u>	<u><u>\$ 289,635,945</u></u>	<u><u>\$ 248,217,169</u></u>	<u><u>\$ 218,963,035</u></u>	<u><u>\$ 198,593,052</u></u>

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

	2021	2020	2019 (1)	2018
Salaries and Wages	\$ 56,168,749	\$ 57,173,997	\$ 57,081,051	\$ 55,332,668
Fringe Benefits	(27,441,345)	32,034,574	41,189,885	31,917,776
Power	8,619,352	9,432,548	9,008,321	11,216,797
Materials and Supplies	9,099,006	8,722,318	8,602,651	7,816,290
Collection Fees	8,876,531	8,804,820	8,679,625	8,275,350
Gas	904,151	1,147,356	1,285,320	1,689,079
Chemicals	3,000,729	3,047,424	3,131,901	2,617,257
Repairs and Maintenance	3,649,209	3,010,519	3,244,813	2,837,255
Solids Handling	2,196,867	1,568,460	1,450,778	1,459,652
Water	868,341	884,816	1,065,318	1,007,341
Professional Services	14,900,635	20,571,283	27,648,097	29,405,301
Insurance	1,223,164	989,625	959,418	882,305
Judgments and Awards	(3,139)	-	-	-
All Other Expenses	12,383,646	12,685,445	23,097,906	17,875,618
Capitalized Construction Costs	(5,508,825)	(6,311,545)	(5,778,398)	(8,159,225)
Depreciation and Amortization	85,526,726	81,614,727	80,596,851	71,733,140
Total Operating Expenses	\$ 174,463,797	\$ 235,376,367	\$ 261,263,537	\$ 235,906,604

(1) Restated to comply with GASB 83.

Source : Sewer District accounting records.

	2017	2016	2015	2014	2013	2012
\$	53,498,024	\$ 50,468,807	\$ 47,918,213	\$ 46,226,508	\$ 43,889,545	\$ 41,255,137
	29,418,128	22,578,428	14,563,011	14,610,845	14,203,943	13,657,026
	10,052,193	10,652,319	12,072,308	10,247,703	9,400,085	8,068,363
	7,088,671	6,820,729	5,676,639	4,882,158	4,075,901	5,056,453
	8,506,812	8,000,246	7,870,531	7,753,358	7,812,254	6,725,143
	1,326,027	1,314,239	1,818,054	2,710,438	3,318,117	3,825,221
	2,062,888	2,390,757	2,865,628	3,152,662	1,931,902	1,641,550
	3,172,685	2,290,027	3,154,329	3,310,824	2,762,386	2,078,341
	1,546,734	1,763,205	1,170,548	2,315,896	1,446,497	1,825,201
	1,159,576	1,069,671	977,437	1,096,667	1,260,155	1,191,439
	23,678,268	16,550,378	6,004,935	6,468,485	10,553,455	8,917,796
	762,390	764,709	778,421	858,861	821,442	779,453
	-	-	-	-	-	-
	18,981,336	9,627,486	8,353,217	7,940,886	6,774,159	6,592,367
	(8,323,277)	(10,057,893)	(8,743,355)	(9,376,809)	(8,355,153)	(7,506,517)
	71,496,416	66,605,940	62,825,528	57,171,918	50,179,846	51,187,381
\$	<u>224,426,871</u>	<u>\$ 190,839,048</u>	<u>\$ 167,305,444</u>	<u>\$ 159,370,400</u>	<u>\$ 150,074,534</u>	<u>\$ 145,294,354</u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMMUNITIES SERVED BY THE DISTRICT AND
ESTIMATED POPULATION SERVED
DECEMBER 31, 2021**

Estimated Service		Estimated Service	
Municipality	Population ⁽¹⁾	Municipality	Population ⁽¹⁾
SUBDISTRICT 1		SUBDISTRICT 2	
Cleveland City	374,187	Middleburg Heights City	15,495
SUBDISTRICT 2		Moreland Hills Village	3,271
Bath Township	60	Newburgh Heights Village	2,028
Beachwood City	13,290	North Randall Village	1,066
Bedford City	- ⁽³⁾	North Royalton City	4,065 ⁽²⁾
Bedford Heights City	19 ⁽³⁾	Northfield Center Township	5,577
Berea City	18,850	Northfield Village	3,514
Boston Heights Village	802 ⁽²⁾	Oakwood Village	1,641 ⁽²⁾
Bratenahl Village	1,274	Olmsted Falls City	8,953 ⁽²⁾
Brecksville City	13,420 ⁽²⁾	Olmsted Township	8,320 ⁽²⁾
Broadview Heights City	14,901 ⁽²⁾	Orange Village	1,002 ⁽²⁾
Brook Park City	18,452	Parma City	79,360
Brooklyn City	10,805	Parma Heights City	20,228
Brooklyn Heights Village	1,590	Pepper Pike City	6,320 ⁽²⁾
Cleveland Heights City	45,178	Richfield Township	963 ⁽²⁾
Columbia Township	2,626 ⁽²⁾	Richfield Village	3,836 ⁽²⁾
Cuyahoga Heights Village	721	Richmond Heights City	4,361 ⁽²⁾
East Cleveland City	16,183	Sagamore Hills Township	11,000
Euclid City	378 ⁽²⁾	Seven Hills City	11,496
Garfield Heights City	28,179	Shaker Heights City	28,118
Gates Mills Village	434 ⁽²⁾	Solon City	137 ⁽²⁾
Glenwillow Village	3 ⁽²⁾	South Euclid City	21,196
Highland Heights City	8,091	Strongsville City	25,642 ⁽²⁾
Highland Hills Village	1,126	Twinsburg City	- ⁽²⁾
Hudson City	8,851 ⁽²⁾	Twinsburg Township	542 ⁽²⁾
Independence City	7,429	University Heights City	13,827
Lakewood City	83 ⁽³⁾	Valley View Village	2,024
Linndale Village	164	Walton Hills Village	2,133
Lyndhurst City	13,539	Warrensville Heights City	13,041
Macedonia City	11,612	Willoughby Hills City	- ⁽³⁾
Maple Heights City	22,541		
Mayfield Heights City	18,596		
Mayfield Village	3,326		
		Total Subdistrict 2	581,679
		Total Estimated Service Population	955,866

- (1) Based on U.S. Census Data and the 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. District serves non-residential properties only.



**Northeast Ohio
Regional Sewer District**

3900 Euclid Avenue
Cleveland, Ohio 44115
(216) 881-6600 • neorsd.org

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SEWER LARGEST CUSTOMERS OF THE DISTRICT
AS OF DECEMBER 31, 2021 and NINE YEARS PRIOR**

	2021			
	CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
SUBDISTRICT 1				
CUYAHOGA METROPOLITAN HOUSING AGENCY (2)	88,694.2	\$ 9,513,555	2	2.5%
CLEVELAND CLINIC (2)	66,261.3	7,063,307	3	1.8%
CITY OF CLEVELAND WATER FILTRATION PLANTS	33,311.5	6,452,325	4	1.7%
UNIVERSITY HOSPITALS (2)	24,391.1	2,589,333	5	0.7%
CUYAHOGA COUNTY (2)	19,576.5	2,072,687	6	0.5%
CASE WESTERN RESERVE UNIVERSITY	14,130.0	1,511,590	8	0.4%
METROHEALTH MEDICAL CENTERS	11,696.4	1,246,061	10	0.3%
ARCELOR MITTAL STEEL	11,244.7	1,301,978	12	0.3%
MEDICAL CENTER CO	10,643.0	1,128,382	13	0.3%
PPG INDUSTRIES	8,619.9	902,656	16	0.2%
EUCLID BEACH	8,102.2	832,461	17	0.2%
CLEVELAND STATE UNIVERSITY (2)	7,907.1	847,212	18	0.2%
CLEVELAND HOPKINS AIRPORT	6,707.6	716,732	20	0.2%
MICELI DAIRY PRODUCTS	6,303.1	1,630,393	22	0.4%
OBERLIN FARMS	6,266.4	584,192	23	0.2%
VETERANS ADMINISTRATION HOSPITALS (2)	6,105.7	650,309	24	0.2%
CITY OF CLEVELAND	5,382.5	579,228	26	0.2%
CLEVELAND BOARD OF EDUCATION	-	-	-	-
FERRO CORP (2)	-	-	-	-
CLEVELAND METROPARKS ZOO	-	-	-	-
COLUMBUS ROAD REALTY	-	-	-	-
INLAND WATERS OF OHIO	-	-	-	-
Total Subdistrict 1	335,343.2	\$ 39,622,401		10.3%
SUBDISTRICT 2				
SUMMIT COUNTY (3)	117,807.7	\$ 12,081,493	1	3.2%
ALUMINUM CORPORATION OF AMERICA (ALCOA)	15,442.4	1,643,050	7	0.4%
NASA	12,537.9	1,339,164	9	0.4%
THE K&D GROUP	11,668.4	1,241,358	11	0.3%
FOREST CITY MANAGEMENT (2)	9,080.5	969,826	14	0.3%
VILLAGE OF RICHFIELD	8,803.5	849,914	15	0.2%
CHARTER STEEL	7,785.0	831,554	19	0.2%
FORD MOTOR CORPORATION	6,488.4	712,680	21	0.2%
GRANADA APTS	5,922.5	632,338	25	0.2%
Total Subdistrict 2	195,536.3	\$ 20,301,377		5.4%
Grand Total	530,879.5	\$ 59,923,778		15.7%

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

Source: 2021 Sewer District accounting records and City of Cleveland Division of Water billing records from OAC, provided by the Sewer District Billing Department.

2012

CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
82,087.6	\$ 4,055,515	1	2.2%
49,973.3	2,382,702	2	1.4%
32,438.1	2,191,956	3	1.2%
34,250.8	1,548,581	5	0.8%
17,106.8	845,673	8	0.5%
29,488.3	1,410,366	6	0.8%
10,049.7	491,022	14	0.3%
15,828.9	958,246	7	0.5%
-	-		-
-	-		-
-	-		-
5,607.4	272,231	19	0.1%
-	-		-
-	-		-
-	-		-
7,471.1	367,428	17	0.2%
-	-		-
12,068.3	591,601	10	0.3%
10,655.1	532,468	13	0.3%
6,613.2	386,624	16	0.2%
5,729.7	286,292	18	0.2%
2,824.2	209,841	21	0.1%
322,192.5	\$ 16,530,546		9.1%
8,766.1	\$ 475,131	15	0.3%
30,439.6	1,591,502	4	0.8%
15,377.6	807,957	9	0.4%
-	-		-
10,862.4	554,217	11	0.3%
-	-		-
4,426.3	224,884	20	0.1%
10,241.9	538,061	12	0.3%
-	-		-
80,113.9	\$ 4,191,752		2.2%
402,306.4	\$ 20,722,298		11.3%

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

Debt by Type, In Thousands	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
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	336,930
\$249,535 Series 2013 (D) (H)	1,915	20,215	24,730	24,730
\$350,570 Series 2014A (E)	62,865	179,925	329,585	332,585
\$68,460 Series 2014B (F)	-	-	62,285	65,440
\$25,015 Series 2016 (G)	21,445	21,620	21,790	21,955
\$241,595 Series 2017 (H)	239,840	240,455	241,040	241,595
\$245,005 Series 2019 (J)	245,005	245,005	245,005	-
\$244,895 Series 2020 (K)	240,025	241,665	-	-
\$114,295 Series 2021 (L)	113,070	-	-	-
Total Revenue Bond Issues	<u>1,009,375</u>	<u>1,034,095</u>	<u>1,009,645</u>	<u>1,023,235</u>
Bond Premium	32,407	43,984	63,704	48,533
Bond Discount	<u>(15)</u>	<u>(17)</u>	<u>(18)</u>	<u>(20)</u>
Total Revenue Bonds	1,041,767	1,078,062	1,073,331	1,071,748
Water Pollution Control Loans	<u>906,310</u>	<u>814,932</u>	<u>707,522</u>	<u>595,876</u>
Total All Debt	<u>\$ 1,948,077</u>	<u>\$ 1,892,994</u>	<u>\$ 1,780,853</u>	<u>\$ 1,667,624</u>
Number of Customer Accounts (1)	325,032	324,323	323,865	323,664
Outstanding Debt Per Customer Account	\$ 5,993	\$ 5,837	\$ 5,499	\$ 5,152

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

Historical Number of Customer Accounts				
(see pages 116 & 117)	323,902	(1)	323,214	(1)
Less Master Meter Communities	(1)		(1)	
Add estimated number of customers in Master Meter Communities	1,131		1,110	
Number of Customer Accounts	<u>325,032</u>		<u>324,323</u>	
			<u>323,865</u>	<u>323,664</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 6 to the Audited Financial Statements for December 31, 2021.

(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.

2017	2016	2015	2014	2013	2012
\$ -	\$ -	\$ 13,950	\$ 20,445	\$ 26,635	\$ 32,525
-	7,520	34,110	36,865	112,430	114,930
336,930	336,930	336,930	336,930	336,930	336,930
24,730	249,535	249,535	249,535	249,535	-
336,570	350,570	350,570	350,570	-	-
68,460	68,460	68,460	68,460	-	-
22,115	25,015	-	-	-	-
241,595	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,030,400	1,038,030	1,053,555	1,062,805	725,530	484,385
53,979	59,638	66,503	74,014	2,299	2,646
(22)	(26)	-	-	-	-
1,084,357	1,097,642	1,120,058	1,136,819	727,829	487,031
515,685	490,186	497,778	469,536	468,816	470,471
<u>\$ 1,600,042</u>	<u>\$ 1,587,828</u>	<u>\$ 1,617,836</u>	<u>\$ 1,606,355</u>	<u>\$ 1,196,645</u>	<u>\$ 957,502</u>
323,877	325,225	326,496	326,555	326,720	326,412
\$ 4,940	\$ 4,882	\$ 4,955	\$ 4,919	\$ 3,663	\$ 2,933

(l)	322,799	(l)	311,441	312,837	313,021	313,284	313,294
	(1)		(3)	(3)	(3)	(3)	(3)
	1,079		13,787	13,662	13,537	13,439	13,121
	<u>323,877</u>		<u>325,225</u>	<u>326,496</u>	<u>326,555</u>	<u>326,720</u>	<u>326,412</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)
2012	1,265,798	7.0%	56,876,705	40,838
2013	1,263,796	7.2%	56,730,102	47,294
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%	n/a	n/a

(1) Sources are 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, 2021 and 2012

Employer Name (1)	2021			2012		
	Number of Employees (1) FTE*	Rank (1)	Percentage of Total County Employment (2)	Number of Employees (1) FTE*	Rank (1)	Percentage of Total County Employment (2)
Cleveland Clinic Health System	44,665	1	6.67%	33,000	1	4.98%
University Hospitals	24,636	2	3.68%	15,123	2	2.28%
Group Management Services Inc.	22,145	3	3.31%	7,403	9	1.12%
Minute Men Cos.	21,802	4	3.26%	-	-	(3)
U.S. Office of Personnel Management	15,342	5	2.29%	14,839	3	2.24%
Progressive Corp.	12,849	6	1.92%	8,766	5	1.32%
Giant Eagle Inc.	9,806	7	1.46%	10,398	4	1.57%
State of Ohio	7,734	8	1.16%	7,768	7	1.17%
Cuyahoga County	7,336	9	1.10%	7,709	6	1.16%
City of Cleveland	7,244	10	1.08%	7,061	10	1.07%
United States Postal Service	-	-	-	7,565	8	1.14%
Total	173,559		25.93%	119,632		18.07%
Total Cuyahoga County Employment (2)			669,407			662,000

* Full-Time Equivalent.

(1) Sources are *Crain's Cleveland Business*, June 2021 and June 2012.

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**

	2021	2020	2019	2018
TREATMENT PLANT FLOW				
Billions of gallons of sewage treated per plant:				
Easterly	28.5	31.5	32.3	34.2
Southerly	41.6	47.7	45.5	48.3
Westerly	7.1	8.3	9.3	9.8
Total	<u>77.2</u>	<u>87.5</u>	<u>87.1</u>	<u>92.3</u>
Total sewage treated, in MCFs (1)	<u>10,317,794</u>	<u>11,701,894</u>	<u>11,640,856</u>	<u>12,339,572</u>
MCFs billed, total District (5)	<u>3,313,170</u>	<u>3,349,667</u>	<u>3,511,140</u>	<u>3,569,084</u>
STAFFING LEVELS				
Number of sewer employees:				
Plant Operations and Maintenance	399	416	411	432
Engineering	42	43	47	63
Finance	42	46	46	45
Human Resources	23	25	21	29
Information Technology	32	34	33	35
District Administration (2)	18	18	37	17
Legal	11	11	10	11
Administration and External Affairs	29	30	38	38
Watershed Programs (3)	79	77	82	82
Total	<u>675</u>	<u>700</u>	<u>725</u>	<u>752</u>
Number of stormwater employees:				
Stormwater (4)	<u>39</u>	<u>40</u>	<u>39</u>	<u>36</u>
Total District employees	<u>714</u>	<u>740</u>	<u>764</u>	<u>788</u>
Budgeted employees, total District	<u>800</u>	<u>816</u>	<u>820</u>	<u>824</u>

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

(2) Safety and Security reclassified from Human Resources to the Sewer District Administration beginning in 2005.

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

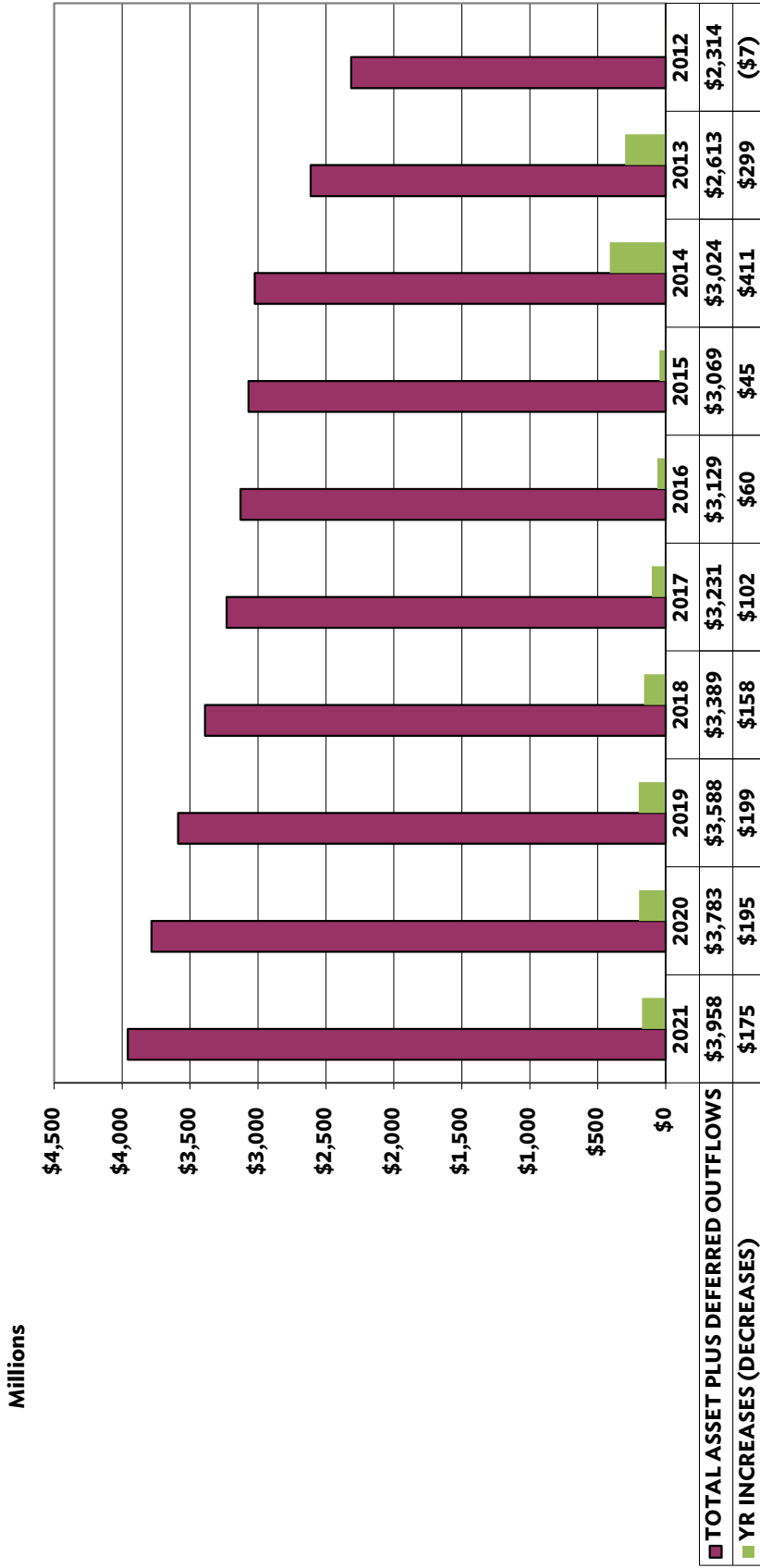
(4) The stormwater program began in 2016.

(5) 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
29.9	26.3	29.4	32.2	31.7	32.9
44.8	41.0	47.7	47.2	44.0	39.1
8.6	9.0	9.7	10.3	9.9	9.9
<u>83.3</u>	<u>76.3</u>	<u>86.8</u>	<u>89.7</u>	<u>85.6</u>	<u>81.9</u>
<u>11,136,364</u>	<u>10,200,535</u>	<u>11,604,278</u>	<u>11,991,979</u>	<u>11,443,850</u>	<u>10,949,198</u>
<u>3,757,322</u>	<u>3,703,466</u>	<u>3,665,500</u>	<u>3,739,178</u>	<u>3,709,188</u>	<u>3,895,816</u>
424	427	410	363	344	339
64	66	64	61	61	61
43	43	43	44	43	39
30	30	27	16	16	15
36	24	19	22	18	19
14	15	13	78	69	66
10	10	8	9	12	11
41	33	27	38	32	28
105	94	83	77	78	70
<u>767</u>	<u>742</u>	<u>694</u>	<u>708</u>	<u>673</u>	<u>648</u>
<u>26</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>793</u>	<u>750</u>	<u>694</u>	<u>708</u>	<u>673</u>	<u>648</u>
<u>809</u>	<u>773</u>	<u>761</u>	<u>730</u>	<u>719</u>	<u>693</u>

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





Northeast Ohio Regional Sewer District

3900 Euclid Avenue
Cleveland, Ohio 44115
(216) 881-6600 • neorsd.org

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

	2021	2020	2019	2018
Number of Buildings				
<u>Operations</u>				
Southerly Plant	44	45	45	45
Easterly Plant	22	22	22	22
Westerly Plant	17	17	17	17
Outlying Pump Buildings	9	9	9	9
Total Operations	<u>92</u>	<u>93</u>	<u>93</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>97</u></u>	<u><u>98</u></u>	<u><u>98</u></u>	<u><u>98</u></u>
Miles of Interceptor Sewers Installed Annually*	<u>0.5</u>	<u>3.73</u>	<u>3.33</u>	<u>3.53</u>
Number of Outlying Systems				
<u>Sewage Collection System</u>				
Interceptor Sewers and Tunnels	25	25	23	22
Inter-Community Relief Sewers	30	30	30	30
Automated Regulators	39	34	35	31
Pumping Stations	13	13	13	13
Force Mains	8	8	8	5
Total Sewage Collection System	<u>115</u>	<u>110</u>	<u>109</u>	<u>101</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>164</u></u>	<u><u>159</u></u>	<u><u>158</u></u>	<u><u>150</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
45	44	43	42	42	40
21	21	20	19	19	18
17	17	17	17	16	16
<u>7</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>
<u>90</u>	<u>88</u>	<u>86</u>	<u>85</u>	<u>84</u>	<u>81</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>95</u>	<u>93</u>	<u>91</u>	<u>90</u>	<u>89</u>	<u>86</u>
<u>0</u>	<u>0.20</u>	<u>1.4</u>	<u>4.5</u>	<u>0.25</u>	<u>2.87</u>
21	21	21	21	21	21
30	30	30	30	29	28
32	32	32	31	25	25
10	9	9	9	10	10
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>
<u>98</u>	<u>97</u>	<u>97</u>	<u>96</u>	<u>91</u>	<u>90</u>
10	10	10	10	10	10
8	8	8	8	8	8
29	28	28	28	25	25
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>48</u>	<u>47</u>	<u>47</u>	<u>47</u>	<u>44</u>	<u>44</u>
<u>146</u>	<u>144</u>	<u>144</u>	<u>143</u>	<u>135</u>	<u>134</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Sewage Accounts:</u>				
<u>Subdistrict 1</u>				
Cleveland (2)	118,702	118,800	118,958	119,325
<u>Subdistrict 2</u>				
Master Meter - Suburbs (1) (2)	1	1	1	1
Direct Service - Suburbs (2)	<u>205,199</u>	<u>204,413</u>	<u>203,799</u>	<u>203,248</u>
Subtotal	<u>205,200</u>	<u>204,414</u>	<u>203,800</u>	<u>203,249</u>
Total Sewage Accounts	<u>323,902</u>	<u>323,214</u>	<u>322,758</u>	<u>322,574</u>
Stormwater Only Accounts (3)	<u>18,090</u>	<u>17,189</u>	<u>17,259</u>	<u>17,268</u>
Total Customers	<u><u>341,992</u></u>	<u><u>340,403</u></u>	<u><u>340,017</u></u>	<u><u>339,842</u></u>

(1) Master Meter communities are Village of Richfield and Summit County. Commencing January 2008, the City of East Cleveland became a direct service community billed by the City of Cleveland in Subdistrict 2. 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
120,031	122,204	123,722	124,288	125,422	126,357
1	3	3	3	3	3
<u>202,767</u>	<u>189,234</u>	<u>189,112</u>	<u>188,730</u>	<u>187,859</u>	<u>186,934</u>
<u>202,768</u>	<u>189,237</u>	<u>189,115</u>	<u>188,733</u>	<u>187,862</u>	<u>186,937</u>
<u>322,799</u>	<u>311,441</u>	<u>312,837</u>	<u>313,021</u>	<u>313,284</u>	<u>313,294</u>
<u>17,296</u>	<u>20,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>340,095</u></u>	<u><u>332,043</u></u>	<u><u>312,837</u></u>	<u><u>313,021</u></u>	<u><u>313,284</u></u>	<u><u>313,294</u></u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Subdistrict 1</u>				
Cleveland	1,434,227	1,459,042	1,575,484	1,622,406
<u>Subdistrict 2</u>				
Direct Service - Suburbs	1,872,785	1,889,039	1,926,416	1,936,856
Master Meter - Suburbs (1)	<u>8,804</u>	<u>9,420</u>	<u>9,240</u>	<u>9,822</u>
Subtotal	<u>1,881,589</u>	<u>1,898,459</u>	<u>1,935,656</u>	<u>1,946,678</u>
Total Service Area	<u><u>3,315,816</u></u>	<u><u>3,357,501</u></u>	<u><u>3,511,140</u></u>	<u><u>3,569,084</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>2017 (2)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
1,701,704	1,684,932	1,668,505	1,715,359	1,706,438	1,781,276
2,046,806	1,921,167	1,884,506	1,892,128	1,859,247	1,977,996
<u>8,812</u>	<u>97,367</u>	<u>112,489</u>	<u>131,691</u>	<u>143,503</u>	<u>136,544</u>
<u>2,055,618</u>	<u>2,018,534</u>	<u>1,996,995</u>	<u>2,023,819</u>	<u>2,002,750</u>	<u>2,114,540</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>	<u><u>3,709,188</u></u>	<u><u>3,895,816</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)

	2021	2020	2019	2018
Sewer Operating Revenues, Net	\$ 382,237	\$ 352,075	\$ 340,213	\$ 326,059
Non-Operating Sewer Revenues	939	5,138	8,449	5,138
Total Revenues	383,176	357,213	348,662	331,197
Sewer Operating Expenses (Exclusive of depreciation and Pension and OPEB)	114,720	116,197	117,914	121,864
Transfer to Rate Stabilization Account	-	-	-	-
Total Expenses	114,720	116,197	117,914	121,864
Net Revenues Available for Debt Service	\$ 268,456	\$ 241,016	\$ 230,748	\$ 121,864
Total Revenue Bond Debt Service (1), (2)	\$ 47,928	\$ 48,997	\$ 44,679	\$ 51,163
Coverage on Revenue Bond Debt Service	5.60	4.92	5.16	3.80
Total All Debt Service (1)	\$ 103,419	\$ 96,921	\$ 94,420	\$ 95,770
Coverage on Total Debt Service	2.60	2.49	2.44	2.03

(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, 2021 were:

	2021	2020	2019	2018
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	6,755	13,335
\$249,535 Series 2013 (D) (I)	4,362	5,467	952	952
\$350,570 Series 2014A (E)	9,066	10,926	18,301	19,485
\$68,460 Series 2014B (F)	-	-	6,209	6,225
\$25,015 Series 2016 (H)	824	824	824	823
\$241,595 Series 2017 (I)	10,204	10,203	10,201	10,343
\$245,005 Series 2019 (J)	7,959	7,959	1,437	-
\$244,895 Series 2020 (K)	8,985	8,984	-	-
\$114,295 Series 2021 (L)	1,894	-	-	-
Total Revenue Bond Issues and Debt Service	47,928	48,997	44,679	51,163
WPCLF Debt Service	55,491	47,924	49,741	44,607
Total All Debt Service	\$ 103,419	\$ 96,921	\$ 94,420	\$ 95,770

(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.

Source: Sewer District accounting records.

2017 (3)	2016 (3)	2015 (3)	2014	2013	2012
\$ 299,380	\$ 286,783	\$ 259,683	\$ 239,185	\$ 209,790	\$ 187,241
3,315	3,397	1,353	1,290	1,462	1,939
<u>302,695</u>	<u>290,180</u>	<u>261,036</u>	<u>240,475</u>	<u>211,252</u>	<u>189,180</u>
131,755	118,992	104,480	102,198	99,895	94,107
-	-	6,000	6,000	-	-
<u>131,755</u>	<u>118,992</u>	<u>110,480</u>	<u>108,198</u>	<u>99,895</u>	<u>94,107</u>
<u>\$ 170,940</u>	<u>\$ 171,188</u>	<u>\$ 150,556</u>	<u>\$ 132,277</u>	<u>\$ 111,357</u>	<u>\$ 95,073</u>
\$ 62,907	\$ 63,428	\$ 42,425	\$ 28,774	\$ 28,579	\$ 15,372
2.72	2.70	3.55	4.60	3.90	6.18
\$ 107,612	\$ 111,612	\$ 94,104	\$ 78,180	\$ 78,818	\$ 64,473
1.59	1.53	1.60	1.69	1.41	1.47

2017	2016	2015	2014	2013	2012
\$ -	\$ 14,648	\$ 7,517	\$ 7,522	\$ 7,516	\$ 7,518
338	3,373	4,457	7,858	7,858	7,854
13,360	13,367	13,363	13,394	13,205	-
12,172	12,172	6,086	-	-	-
30,182	16,182	8,091	-	-	-
3,205	3,205	2,911	-	-	-
3,650	481	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>62,907</u>	<u>63,428</u>	<u>42,425</u>	<u>28,774</u>	<u>28,579</u>	<u>15,372</u>
<u>44,705</u>	<u>48,184</u>	<u>51,678</u>	<u>49,406</u>	<u>50,239</u>	<u>49,101</u>
<u>\$ 107,612</u>	<u>\$ 111,612</u>	<u>\$ 94,103</u>	<u>\$ 78,180</u>	<u>\$ 78,818</u>	<u>\$ 64,473</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
2012	\$5.85	\$ -	\$49.55	10.7	\$29.75	(1.0)	\$52.55	9.5	\$31.75	(1.6)
2013	6.30	-	55.45	11.9	33.35	12.1	58.15	10.7	35.15	10.7
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

- (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, 2021**

Type of property	Tier Type	Impervious surface area (sq. ft.)*	2021 (1)	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)
Residential	Tier 1	Less than 2,000	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09	\$3.09
	Tier 2/Base	2,000-3,999	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15
	Tier 3	4,000 or more	\$9.27	\$9.27	\$9.27	\$9.27	\$9.27	\$9.27
	Homestead/Affordability	Any size	\$2.07	\$2.07	\$2.07	\$2.07	\$2.07	\$2.07
Non-residential	All	Per ERU, or 3,000 square feet	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15
	Educational Economically Disadvantaged (2)	Per ERU, or 3,000 square feet	\$2.07	\$2.07	\$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.).

Source: Sewer District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CAPITAL IMPROVEMENT PROGRAM
USES AND SOURCES OF FUNDS
FOR THE YEARS ENDING DECEMBER 31, 2022 THROUGH 2031
(In Thousands of Dollars)**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>USES OF FUNDS</u>					
Sewage Treatment Plant Improvements	\$ 28,177,234	\$ 43,702,417	\$ 27,650,665	\$ 7,056,513	\$ 8,530,393
Interceptors/Rehabilitation	7,742,399	8,433,369	9,438,794	15,398,314	7,026,415
Combined Sewer Overflow Control Program	148,920,904	116,087,013	152,276,241	242,398,383	217,471,657
District-wide Building Improvements and Other Improvements	62,845,176	45,524,931	29,408,933	42,848,871	43,255,326
Information Technology and Other Minor Equipment	15,149,913	13,802,000	14,216,060	14,642,542	15,081,818
Total	<u>\$ 262,835,626</u>	<u>\$ 227,549,730</u>	<u>\$ 232,990,693</u>	<u>\$ 322,344,623</u>	<u>\$ 291,365,609</u>
<u>SOURCES OF FUNDS</u>					
WPCLF (1)	\$ 181,289,570	\$ 87,154,193	\$ 140,393,614	\$ 215,067,061	\$ 167,205,040
Internally Generated Funds/Reserves	81,546,056	140,395,537	92,597,079	107,277,562	124,160,569
Total	<u>\$ 262,835,626</u>	<u>\$ 227,549,730</u>	<u>\$ 232,990,693</u>	<u>\$ 322,344,623</u>	<u>\$ 291,365,609</u>

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

<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>TOTAL</u>
\$ 16,116,914	\$ 9,971,574	\$ 22,708,964	\$ 47,546,669	\$ 12,351,150	\$ 223,812,493
10,254,816	5,556,879	6,342,210	10,333,470	2,634,394	83,161,060
207,720,823	153,797,452	93,524,733	47,115,414	35,659,585	1,414,972,205
30,751,567	33,809,416	28,567,437	32,273,087	31,364,051	380,648,795
15,534,273	16,000,301	16,480,310	16,974,719	17,483,961	155,365,897
<u>\$ 280,378,393</u>	<u>\$ 219,135,622</u>	<u>\$ 167,623,654</u>	<u>\$ 154,243,359</u>	<u>\$ 99,493,141</u>	<u>\$ 2,257,960,450</u>
\$ 119,233,808	\$ 28,885,629	\$ 12,423,044	\$ 38,104,745	\$ 10,790,873	\$ 1,000,547,577
161,144,585	190,249,993	155,200,610	116,138,614	88,702,268	1,257,412,873
<u>\$ 280,378,393</u>	<u>\$ 219,135,622</u>	<u>\$ 167,623,654</u>	<u>\$ 154,243,359</u>	<u>\$ 99,493,141</u>	<u>\$ 2,257,960,450</u>

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Prepared by the Department of Finance

Project Manager: Majlinda Marku, Manager of Accounting and Reporting, MBA, CPM

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Northeast Ohio

Regional Sewer District

Northeast Ohio Regional Sewer District

**Single Audit Reports
For the Year Ended December 31, 2021**

Northeast Ohio Regional Sewer District

For the Year Ended December 31, 2021

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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, 2021, 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 30, 2022.

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 may exist that have not been 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 30, 2022



CPAs and Business Advisors

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**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 the Major Federal Program

Opinion on the 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 program for the year ended December 31, 2021. The District’s major federal program is 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 the major federal program for the year ended December 31, 2021

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

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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 the 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated June 30, 2022, which contained an unmodified opinion on those financial statements. 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 30, 2022

Northeast Ohio Regional Sewer District

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021

<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 Environmental Protection Agency: Pass-Through Program from Ohio Department of Environmental Protection Agency: Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds	66.458	7658	\$ 454,738
	66.458	7780	3,892,728
	66.458	8051	13,074,788
	66.458	8209	1,237,834
	66.458	8208	336,926
	66.458	8317	6,772,184
	66.458	8318	716,284
	66.458	8348	781,793
	66.458	8488	194,094
	66.458	8733	1,492,266
	66.458	8755	1,510,986
	66.458	8794	134,171
	66.458	8795	2,003,121
	66.458	8796	1,858,135
	66.458	8825	231,116
	66.458	8826	3,052,314
	66.458	8827	2,606,989
	66.458	8828	3,299,976
	66.458	8972	1,107,820
	66.458	9020	1,722,188
	66.458	9055	1,542,815
	66.458	9057	1,987,726
	66.458	9082	2,290,246
	66.458	9100	5,342,806
	66.458	9132	4,619,063
	66.458	9133	10,691,592
	66.458	9193	2,846,998
	66.458	9194	468,470
	66.458	9220	1,664,933
	66.458	9221	147,756
	66.458	9325	1,337,431
	66.458	9360	725,707
	66.458	9361	1,120,177
	66.458	9420	5,951,390
	66.458	9536	924,275
	66.458	9654	<u>42,630,526</u>
Total U.S. Department of Environmental Protection Agency, Clean Water State Revolving Fund Cluster, Capitalization Grants for Clean Water State Revolving Funds			<u>130,772,362</u>
Total expenditures of federal awards			\$ <u>130,772,362</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, 2021

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, 2021

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 major federal program?	No
(d)(I)(iv)	Were there any significant deficiencies in internal control reported for major federal program?	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 Program	Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds (AL No. 66.458)
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 3,000,000 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, 2021

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 8/16/2022

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This report is a matter of public record and is available online at
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