



2020

Comprehensive Annual Financial Report



**Northeast Ohio
Regional Sewer District**

For the years ended December 2020 and December 2019
A political subdivision of the State of Ohio



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Northeast Ohio Regional Sewer District

A Political Subdivision of the State of Ohio

2020 Comprehensive Annual Financial Report
For the Years Ended December 31, 2020 and 2019

Prepared by the Department of Finance

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Chief Financial Officer



Northeast Ohio

Regional Sewer District

NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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Introductory section





Northeast Ohio Regional Sewer District

June 24, 2021

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

State law requires that local governments reporting on 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 Generally Accepted Accounting Principles (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 Comprehensive Annual Financial Report of the Northeast Ohio Regional Sewer District (District) for the fiscal years ended December 31, 2020 and 2019.

This report consists of management's representations concerning the finances of the 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, District management has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the USA. Because the cost of internal controls should not outweigh their benefits, the 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 District's financial statements 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 District for the fiscal years ended December 31, 2020 and 2019, 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 reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended December 31, 2020 and 2019 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 District's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE DISTRICT

General

The 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 District's service area includes more than 355 square miles, 330 miles of sewers, and a 476-mile regional stormwater system. The 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 District manages stormwater and treats more wastewater than any other wastewater treatment system in the State of Ohio.

Governance

The District is governed by its Board of Trustees. 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 subdistrict with the greatest flow; (v) and one by the appointing authority of the subdistrict with the greatest population.

Budgets

General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the District's operating and capital budgets to the Board of Trustees, 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 84 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 District is organized grants the District the power to raise revenues through taxes on property within its service area. In accordance with Chapter 5705 of the Code, the 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 District operates.

Local Economy

The economic environment in which the District operates is affected by the same events and conditions as the rest of the State of Ohio and the nation. The District's revenue is expected to remain relatively stable due to the approval of a rate increase by the Board of Trustees. The region is not dominated by any single industry. Major industries with headquarters or divisions located in the 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.

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 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.

The annual unemployment rate in 2020 (per the Bureau of Labor Statistics, not seasonally adjusted) for Cuyahoga County, which is significantly the same as the District's service area, was 6.8%. Cuyahoga County's unemployment rate was 0.3% higher than the unemployment rate for the State of Ohio (6.5%) and 1.5% higher than the national rate of 5.3%. 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 District has produced a strong financial history since its inception in 1972. Moving forward, the District is positioned to continue to meet the level of service and regulatory requirements demanded by its customers, its Board of Trustees, and regulatory agencies. Part of that responsibility will entail investment, over the next 10 years, of approximately \$2.6 billion in new Combined Sewer Overflow (CSO) controls and wastewater facility improvements.

The District maintains a long-range financing plan for its operating and capital budgets. The District's five-year financing plan for the capital budget provides for nearly \$1.5 billion in capital project expenditures from 2021 to 2025, primarily for improvements to our Southerly Wastewater Treatment Plant and our CSO long-term control plan. This includes approximately \$245.9 million for the plants, \$954.4 million for the CSO projects, \$160.8 million for the collection system and building improvements and \$120.3 million of miscellaneous District-wide improvements and minor capital purchases. Over this five-year period, the 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 2016, the District completed a five-year, long-term financial and rate impact model for rates in effect from 2017-2021. The model incorporates specific year by year details to determine the sewer rates over the five-year rate period. In August of 2020 the District began the rate study for sewer rates and stormwater fees for the five year period of 2022-2026. The proposed rates will be presented to the Board of Trustees with anticipated adoption sometime in 2021.

Debt Administration

At year-end, the District had bonded debt outstanding of \$1,034,095,000. The debt, including applicable bond premium costs and discounts, is \$1,078,062,129. The District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2020, the outstanding loan balance was \$814,932,184 for the WPCLF. Outstanding revenue bonds of the District are rated AA+ by Standard & Poor's and Aa1 by Moody's rating agencies. Note 7 to the financial statements includes schedules of debt outstanding and future debt service requirements.

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

In 2013, the 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 7 to the financial statements.

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

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

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

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

In 2020, the District issued \$244,895,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2020. The Series 2020 Bonds were comprised of \$241,665,000 to refund a portion of the 2014 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2020 were issued to advance refund the outstanding Series 2014 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 to the financial statements.

MAJOR INITIATIVES

For the Year

2020 Awards

During 2020, the District received awards for 2019 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 2019.

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 2020 performance have not been announced as of the date of this report.

During 2020, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the District for the fourteenth time for its 2020 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 District, resulting in job and business growth for the local business community. Bringing new companies into the District's procurement process enhances the competitive bidding process which helps deliver the greatest value. The District awarded over \$106 million worth of business to MBE/WBE/SBE on construction, engineering, and stormwater projects in 2020. The total number of certified firms in 2020 was 377. Also, payments made to small firms were indirect or direct 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 are able to 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 District currently has over 5,706 registered suppliers.

Human Resources Programs

The mission of the Human Resources (HR) Department is to contribute to the success of the 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

The following are 2020 highlights and successes in each area:

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

HR continued to provide programs to support all levels of the District with the training and development opportunities:

- **Technical Training**
 - Ohio State Apprentice Council (OSAC) update:
 - Continued support for active apprentices and employees working toward OSAC certification
 - Continued Maintenance Training Program and supporting trainees at various stages of the Wastewater Plant Operator in Training Program
 - Tuition Assistance Program (TAP)
 - Approximately 50 District employees participated in Tuition Assistance Program (TAP) totaling \$250,000
 - Migrated reimbursement process to Oracle iExpense for improved reporting and transparency
 - Career Pathing
 - Made significant progress in creating pathways for Operations & Maintenance and Watersheds, two of our largest departments
 - Leadership Development Training
 - First FLUSH (Familiarize Leaders Upon Starting Here) Leadership Training: Facilitated one cohort delivered virtually due to COVID-19
 - Expanded use of our suite of coaches for customized leadership development support

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

- Refreshed the HR vision to focus on providing fair, reliable, and efficient service
- Continued to evolve our HR Business Partner service delivery and grew the use of the HR-Direct phone line and email as a source for employees to have questions answered
- Supported the overall COVID response efforts with on-going policy development, staffing of the HR COVID response team and the creation of COVID Vaccine Leave

Human Resources Programs (continued)

❖ Maintain Legal and Organizational Compliance:

- Successfully completed contract negotiations with 18-S achieving a ratified agreement
- Engaged AFSCME 2798 union in a more effective negotiating process reaching agreement on most proposals before agreeing to go to fact-finding on the remaining three issues
- Fully responded to the requirements of Families First Coronavirus Response Act (FFCRA)

❖ Attract Top Talent Through Innovative Recruitment Strategies

- Filled a total 34 positions with external candidates
- Promoted and transferred 63 internal employees
- Continued participation in virtual career fairs and recruiting events
- Ensured that nearly 100% of interview panels met diversity requirements

❖ Embrace Diversity and Encourage Inclusion

- Established departmental DEI goals that impact the work of all HR teams. Required all HR employees to include personal DEI goals for 2021
- Completed extensive analysis of District processes to assess for possible inequities

❖ Awards, Recognition and External Participation

- Continued the District's quarterly internal Employee Recognition program awarding over 440 employees from Q3 2019 through Q2 2020
- Held the District's first ever virtual Service Awards celebration including a video production, honoree gifts, and banners at the plants. The program honored 95 employees for retiring or achieving service milestones, and a Plant Superintendent received the Lifetime Achievement Award

CSO Long-Term Control Plan

The District has responsibility for combined sewer overflows within its service area. The 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 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 District's state-issued CSO National Pollution Discharge Elimination System (NPDES) permit, required the 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 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 District obtained authorization from its Board of Trustees to enter into a Consent Decree with the state and federal agencies in December 2010.

CSO Long-Term Control Plan (continued)

Prior to the CSO LTCP, the 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 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 2020, the District achieved full activation of Control Measure 6 with completion of the East 140th Consolidation and Relief Sewer project and the London Road Relief Sewer project. This control measure includes the Dugway Storage Tunnel and the Euclid Creek Tunnel that have the capacity to store 117 million gallons of combined sewage for treatment at the District’s Easterly Wastewater Treatment Plant. These two (2) tunnels in combination with the third of the seven large-scale tunnels, the Doan Valley Tunnel (DVT), will control over 1.1 billion gallons of CSO in a typical year. The District also continued to advance construction of the DVT and completed the design of the fifth large-scale tunnel, the Shoreline Storage Tunnel. Additionally, the District continued to advance the construction of the Westerly Storage Tunnel, 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 District’s Westerly Wastewater Treatment Plant controlling approximately 250 million gallons of CSO in a typical year. In January 2021, the District commenced efforts for the design of the Southerly Storage Tunnel, the sixth of the seven large scale tunnels. Ultimately, the 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 similar to 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 District’s Southerly wastewater treatment plant.

The 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 will be constructed. In 2020, construction of the last of the nine green infrastructure projects was completed.

Another major project the 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 District’s CSOs, continued in 2020.

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 District’s capital and maintenance activities.

The District began in 2020 working on converting to a new Computerized Maintenance Management System (CMMS) that is a software package that maintains a computer database of information about an organization's maintenance operations named NexGen Asset Management. 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 District has been utilizing a consistent, risk-based method for validating and prioritizing its Engineering Capital Improvement Program. Additionally, the District collects and manages data for all of its plant and collection system assets to understand each asset's condition, criticality, repair and/or replacement costs and estimated year of renewal. The 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 District has developed and implemented Key Performance Indicator (KPI) metrics to measure operations and maintenance performance against desired targets/goals. KPIs allow the 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 District's founding Court Order required the 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 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 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 District's Stormwater Code of Regulations (Title V), which the District's Board of Trustees 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 District's "authority" to implement the program as an Ohio Revised Code 6119 entity, and "fee versus tax" issues related to the District's stormwater fee. The District prevailed in the litigation and began the Stormwater Program in January 2013.

In July 2012, parties opposed to the District's Regional Stormwater Management Program filed an appeal to the 8th Appellate District to seek a halt to the Regional Stormwater Management Program. On September 26, 2013, the Appellate Court halted the District's Regional Stormwater Management Program by a 2 to 1 decision with a strong dissent. The 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 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 District has the authority to implement the Regional Stormwater Management Program and collect the impervious surface fee. The 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. Twenty-five percent (25.0%) of cash collected from each municipality within the service area is returned to the respective member community for funding of local stormwater management projects through the Community Cost-Share program (CCS).

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 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. 25.0% 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 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 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 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 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 District Board of Trustees. The availability of GIG Program funds in any calendar year is at the discretion of the Board of Trustees. 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 District to assist both communities and other eligible public entities that own, operate and maintain public sewer infrastructure that is tributary to a 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 Program funds in any calendar year is at the discretion of the Board of Trustees. 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 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 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 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 2019 through 2021. Since its development and approval in 2018, the Sewer District has advanced the goals and objectives moving into now the second 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 and Investment. All strategic objectives were aligned to one of these five areas, and are committed to the District's mission, vision and values.

The Strategic Plan provides a navigational guide for the District through 2021. The continually changing environment in which the District operates requires annual review in order for these plans to remain timely and useful. The 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

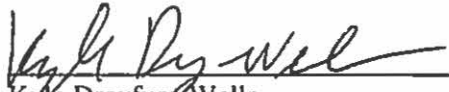
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. This was the 25th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual 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 Comprehensive Annual 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 Comprehensive Annual 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 Dreyfus-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer

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2019 Comprehensive Annual Financial Reporting Award



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Northeast Ohio Regional Sewer District

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO



**Northeast Ohio
Regional Sewer District**

***2020 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 1, 2020

Christopher P. Morrill

Executive Director

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
TABLE OF ORGANIZATION
DECEMBER 31, 2020**

BOARD OF TRUSTEES



Darnell Brown
Board President



Ronald D. Sulik
Vice President



Mayor Timothy DeGeeter
Secretary



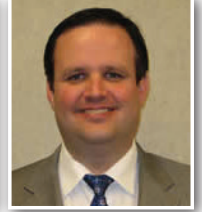
Mayor Jack Bacci



Mayor Samuel J. Alai



Sharon A. Dumas



Terry Joyce

OFFICERS



Kyle Dreyfuss-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer
80 employees



James Bunsey
Chief Operating Officer
459 employees



Eric Luckage
Chief Legal Officer
11 employees



Constance T. Haqq
Chief Administrative Officer
55 employees

DIRECTORS



Devona Marshall
Director of Engineering
and Construction
43 employees



Elizabeth Brooks
Director of
Human Resources
25 employees



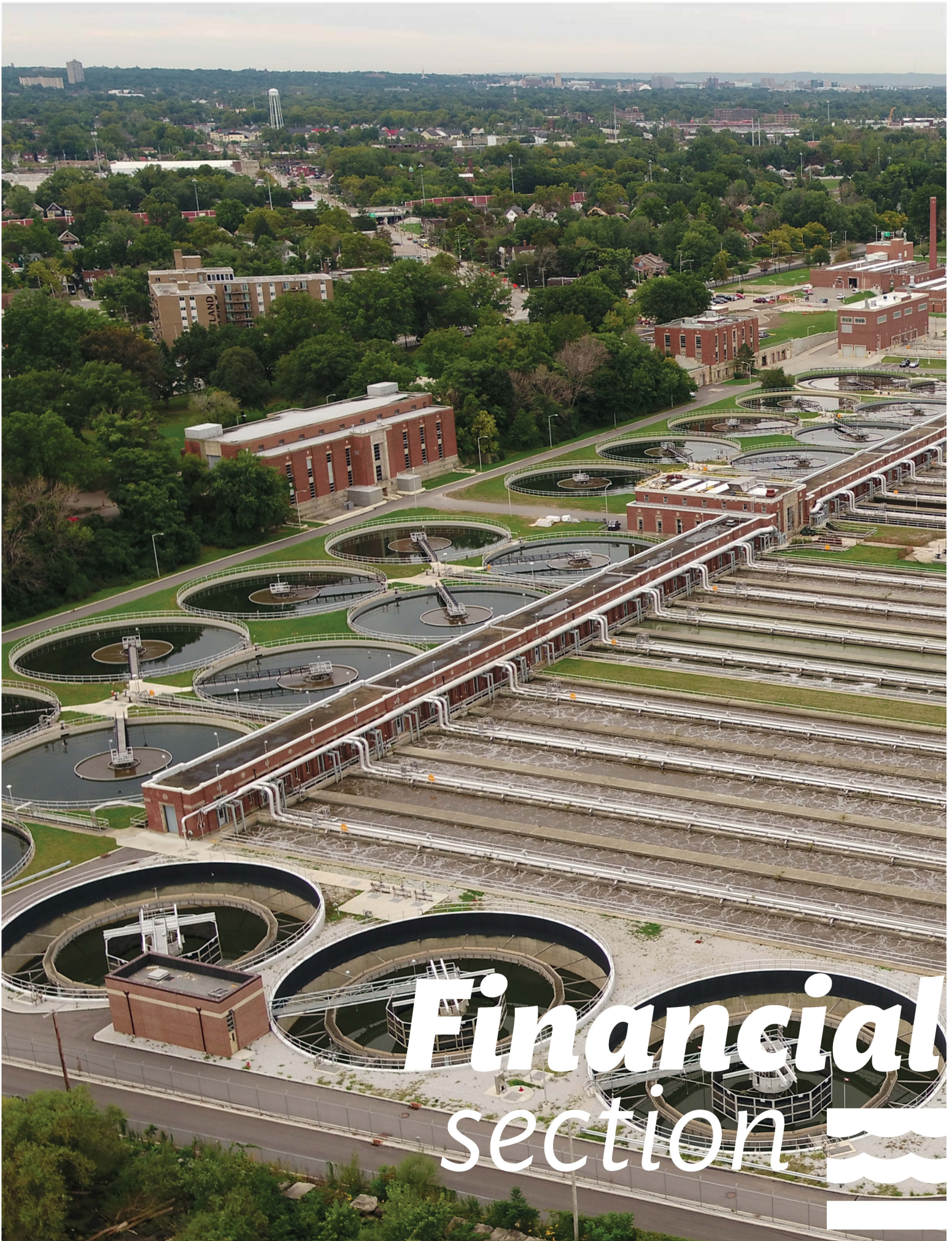
Francis P. Greenland
Director of
Watershed Programs
117 employees



Mohan Kurup
Director of
Information Technology
34 employees



Francis G. Foley
Director of
Operations and Maintenance
352 employees



Financial section



OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Sewer District
Cuyahoga County
3900 Euclid Avenue
Cleveland, Ohio 44115

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Ohio Regional Sewer District, Cuyahoga County, Ohio (the District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Ohio Regional Sewer District, Cuyahoga County, Ohio, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the District as of and for the year ended December 31, 2019 were audited by other auditors, whose report dated June 30, 2020, expressed an unmodified opinion on those statements.

Required Supplementary Information

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

Supplementary and Other Information

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

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

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

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated June 24, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2021

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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 "District") for the years ended December 31, 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 \$1,691,044,345.
- Net position increased by \$99,192,940.
- Net investment in capital assets increased by \$2,263,673.
- Unrestricted net position increased by \$92,355,703.
- Retirement of debt principal was \$256,592,511, of which \$208,720,000 was for the defeasance of a portion of 2014 bonds.
- Operating revenues increased by \$11,721,945.
- Operating expenses decreased by \$25,887,170.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The 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 District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to 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 District's financial position and report the resources owned by the District (assets and deferred outflows of resources) and obligations owed by the 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 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 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.

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

The following tables provide a summary of the District's financial position and operations for 2020 and 2019, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

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

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

| | 2020 | Restated 2019 | Change | |
|--|---------------------|---------------------|------------------|---------------|
| | | | Amount | % |
| <u>Assets</u> | | | | |
| Current Assets | \$ 599,940 | \$ 509,940 | \$ 90,000 | 17.6% |
| Capital Assets, Net | 3,074,221 | 2,973,767 | 100,454 | 3.4% |
| Other Noncurrent Assets | 48,242 | 42,844 | 5,398 | 12.6% |
| Total Assets | 3,722,403 | 3,526,551 | 195,852 | 5.6% |
| <u>Deferred Outflows of Resources</u> | | | | |
| Pension | 11,693 | 30,377 | (18,684) | (61.5%) |
| OPEB | 8,634 | 5,029 | 3,605 | 71.7% |
| Deferred Charge on Refunding | 40,177 | 25,613 | 14,564 | 56.9% |
| Asset Retirement Obligation | 244 | 367 | (123) | (33.5%) |
| Total Deferred Outflows of Resources | 60,748 | 61,386 | (638) | (1.0%) |
| Total Assets and Deferred Outflows of Resources | 3,783,151 | 3,587,937 | 195,214 | 5.4% |
| <u>Liabilities</u> | | | | |
| Current Liabilities | 103,514 | 109,735 | (6,221) | (5.7%) |
| Long-Term Debt | 1,840,696 | 1,735,517 | 105,179 | 6.1% |
| Net Pension Liability | 70,790 | 97,079 | (26,289) | (27.1%) |
| Net OPEB Liability | 52,776 | 49,956 | 2,820 | 5.6% |
| Long-Term Asset Retirement Obligation | 417 | 490 | (73) | (14.9%) |
| Total Liabilities | 2,068,193 | 1,992,777 | 75,416 | 3.8% |
| <u>Deferred Inflows of Resources</u> | | | | |
| Pension | 15,950 | 2,563 | 13,387 | 522.3% |
| OPEB | 7,964 | 745 | 7,219 | 969.0% |
| Total Deferred Inflows of Resources | 23,914 | 3,308 | 20,606 | 622.9% |
| <u>Net Position</u> | | | | |
| Net Investment in Capital Assets | 1,233,426 | 1,231,162 | 2,264 | 0.2% |
| Restricted - Stormwater Community Cost-Share | 30,484 | 25,911 | 4,573 | 17.6% |
| Unrestricted | 427,134 | 334,778 | 92,356 | 27.6% |
| Total Net Position | \$ 1,691,044 | \$ 1,591,851 | \$ 99,193 | 6.2% |

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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 asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 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 *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the 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 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.

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 statement of net position.

In accordance with GASB 68 and GASB 75, the 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, respectively, not accounted for as deferred inflows/outflows.

During 2020, the District also implemented Governmental Accounting Standards Board (GASB) Statement No. 83, accounting and financial reporting standards for certain asset retirement obligations (AROs). Due to the implementation of GASB 83, the District restated prior year net position to recognize ARO obligation and corresponding deferred outflow of resources in the amount of \$490,105. As of result of the implementation, net position at December 31, 2019, was restated from \$1,591,974,462 to \$1,591,851,405.

The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,691,044,345 as of December 31, 2020, of which \$1,233,425,735 is for net investment in capital assets. The largest portion of the District's net position is reflected in its capital assets, less accumulated depreciation and related debt outstanding used to fund these asset acquisitions.

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

During 2020, net position increased by \$99,192,940. The majority 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 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 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 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.

In order 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 2019.

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

| | Restated | | Change | |
|--|---------------------|---------------------|------------------|----------------|
| | 2019 | 2018 | Amount | % |
| <u>Assets</u> | | | | |
| Current Assets | \$ 509,940 | \$ 492,106 | \$ 17,834 | 3.6% |
| Capital Assets, Net | 2,973,767 | 2,834,718 | 139,049 | 4.9% |
| Other Noncurrent Assets | 42,844 | 25,147 | 17,697 | 70.4% |
| Total Assets | 3,526,551 | 3,351,971 | 174,580 | 5.2% |
| <u>Deferred Outflows of Resources</u> | | | | |
| Pension | 30,377 | 16,708 | 13,669 | 81.8% |
| OPEB | 5,029 | 4,898 | 131 | 2.7% |
| Deferred Charge on Refunding | 25,613 | 15,654 | 9,959 | 63.6% |
| Asset retirement Obligation | 367 | - | 367 | 100.0% |
| Total Deferred Outflows of Resources | 61,386 | 37,260 | 24,126 | 64.8% |
| Total Assets and Deferred Outflows of Resources | 3,587,937 | 3,389,231 | 198,706 | 5.9% |
| <u>Liabilities</u> | | | | |
| Current Liabilities | 109,735 | 120,054 | (10,319) | (8.6%) |
| Long-Term Debt | 1,735,517 | 1,623,079 | 112,438 | 6.9% |
| Net Pension Liability | 97,079 | 56,918 | 40,161 | 70.6% |
| Net OPEB Liability | 49,956 | 42,429 | 7,527 | 17.7% |
| Other Long-Term Liabilities | 490 | 200 | 290 | 145.0% |
| Total Liabilities | 1,992,777 | 1,842,680 | 150,097 | 8.1% |
| <u>Deferred Inflows of Resources</u> | | | | |
| Pension | 2,563 | 13,823 | (11,260) | (81.5%) |
| OPEB | 745 | 3,161 | (2,416) | (76.4%) |
| Total Deferred Inflows of Resources | 3,308 | 16,984 | (13,676) | (80.5%) |
| <u>Net Position</u> | | | | |
| Net Investment in Capital Assets | 1,231,162 | 1,196,967 | 34,195 | 2.9% |
| Restricted - Stormwater Community Cost-Share | 25,911 | 24,046 | 1,865 | 7.8% |
| Unrestricted | 334,778 | 308,554 | 26,224 | 8.5% |
| Total Net Position | \$ 1,591,851 | \$ 1,529,567 | \$ 62,284 | 4.1% |

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

During 2019, net position increased by \$62,285,056. The majority of this increase was due to the following:

- Net capital assets increased by \$139,048,789 due to construction in progress and additions to the sewer system and wastewater treatment systems.
- Total long-term obligations increased by \$160,416,303. Additions of \$245,005,000 were for 2019 wastewater revenue refunding bonds, \$156,457,322 were for WPCLF. There was a \$40,160,260 increase for net pension liability. There was an increase of \$7,527,009 for the net OPEB liability. The reductions were for the repayment of debt principal on revenue bonds and WPCLF in the amount of \$44,781,031, and \$251,720,000 for the defeasance of a portion of Series 2010 bonds.
- Deferred inflows of resources related to pension decreased by \$11,260,647. The net pension asset decreased by \$222,308 and the deferred outflows of resources for pension increased by \$13,669,592.
- The District's deferred inflows of resources for OPEB decreased by \$2,415,142. Increases to deferred outflows of resources for OPEB were \$130,289.
- The District's deferred outflows of resources for asset retirement obligations increased by \$367,048.

In order 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 2020 and 2019.

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

| | 2020 | Restated 2019 | Change | |
|---|-------------------|-------------------|-----------------|----------------|
| | | | Amount | % |
| <u>Operating Revenues, Net</u> | | | | |
| Sewer and Stormwater Service Fees: | | | | |
| Billing Agents | | | | |
| City of Cleveland | \$ 357,783 | \$ 348,360 | \$ 9,423 | 2.7% |
| Other Billing Agents | 6,894 | 6,534 | 360 | 5.5% |
| Total Billing Agents | 364,677 | 354,894 | 9,783 | 2.8% |
| Direct Billed Sewer and Stormwater Service Fees | 30,158 | 28,538 | 1,620 | 5.7% |
| Total Sewer and Stormwater Service Fees | 394,835 | 383,432 | 11,403 | 3.0% |
| Other Operating Revenue: | | | | |
| Septic Tank and Municipal Sludge Fees | 697 | 673 | 24 | 3.6% |
| Miscellaneous | 1,237 | 942 | 295 | 31.3% |
| Total Other Operating Revenue | 1,934 | 1,615 | 319 | 19.8% |
| Total Operating Revenues, Net | 396,769 | 385,047 | 11,722 | 3.0% |
| <u>Non-Operating Revenues</u> | | | | |
| Interest Revenue | 4,468 | 7,844 | (3,376) | (43.0%) |
| Federal Subsidy Revenue | 1,539 | 4,801 | (3,262) | (67.9%) |
| Increase in Fair Value of Investments, Net | 997 | 605 | 392 | (64.8%) |
| Total Non-Operating Revenues | 7,004 | 13,250 | (6,246) | (47.1%) |
| Total Revenues | \$ 403,773 | \$ 398,297 | \$ 5,476 | 1.4% |

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)

| | 2020 | Restated 2019 | Change | |
|---|---------------------|---------------------|------------------|---------------|
| | | | Amount | % |
| <u>Operating Expenses</u> | | | | |
| Salaries and Wages | \$ 57,174 | \$ 57,081 | \$ 93 | 0.2% |
| Fringe Benefits | 32,035 | 41,190 | (9,155) | (22.2%) |
| Utilities | 12,234 | 12,249 | (15) | (0.1%) |
| Professional and Contractual Services | 42,995 | 60,191 | (17,196) | (28.6%) |
| Other | 9,323 | 9,956 | (633) | (6.4%) |
| Depreciation | 81,615 | 80,597 | 1,018 | 1.3% |
| Total Operating Expenses | 235,376 | 261,264 | (25,888) | (9.9%) |
| <u>Non-Operating Expenses</u> | | | | |
| Interest Expense on Long-Term Debt | 55,891 | 60,976 | (5,085) | (8.3%) |
| Non-Operating Grant Expenses | - | 178 | (178) | (100.0%) |
| Green Infrastructure Program | 1,286 | 2,102 | (816) | (38.8%) |
| Member Community Infrastructure Community Program | 4,185 | 2,331 | 1,854 | 79.5% |
| Stormwater Community Cost Share Disbursement | 7,321 | 8,512 | (1,191) | (14.0%) |
| Loss on Disposals of Equipment | 521 | 649 | (128) | (19.7%) |
| Total Non-Operating Expenses | 69,204 | 74,748 | (5,544) | (7.4%) |
| Total Expenses | 304,580 | 336,012 | (31,432) | (9.4%) |
| Change in Net Position | 99,193 | 62,285 | 36,908 | 59.3% |
| Net Position at Beginning of Year - Restated | 1,591,851 | 1,529,566 | 62,285 | 4.1% |
| Net Position at End of Year | \$ 1,691,044 | \$ 1,591,851 | \$ 99,193 | 6.2% |

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 (67.9%) 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.

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

- Utilities decreased \$14,734 (0.1%) 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.
 - 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 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%).

The following table on the next page summarizes the changes in revenues and expenses for the District between 2019 and 2018.

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

| | 2019 | 2018 | Change | |
|---|-------------------|-------------------|------------------|-------------|
| | | | Amount | % |
| Operating Revenues, Net | | | | |
| Sewer and Stormwater Service Fees: | | | | |
| Billing Agents | | | | |
| City of Cleveland | \$ 348,360 | \$ 338,467 | \$ 9,893 | 2.9% |
| Other Billing Agents | 6,534 | 6,085 | 449 | 7.4% |
| Total Billing Agents | 354,894 | 344,552 | 10,342 | 3.0% |
| Direct Billed Sewer and Stormwater Service Fees | 28,538 | 24,078 | 4,460 | 18.5% |
| Total Sewer and Stormwater Service Fees | 383,432 | 368,630 | 14,802 | 4.0% |
| Other Operating Revenue: | | | | |
| Septic Tank and Municipal Sludge Fees | 673 | 646 | 27 | 4.2% |
| Miscellaneous | 942 | 747 | 195 | 26.1% |
| Total Other Operating Revenue | 1,615 | 1,393 | 222 | 15.9% |
| Total Operating Revenues, Net | 385,047 | 370,023 | 15,024 | 4.1% |
| Non-Operating Revenues | | | | |
| Interest Revenue | 7,844 | 5,573 | 2,271 | 40.8% |
| Federal Subsidy Revenue | 4,801 | 6,497 | (1,696) | (26.1%) |
| Non-Operating Grant Revenue | - | 522 | (522) | (100.0%) |
| Increase in Fair Value of Investments, Net | 605 | 379 | 226 | (59.6%) |
| Total Non-Operating Revenues | 13,250 | 12,971 | 279 | 2.2% |
| Total Revenues | \$ 398,297 | \$ 382,994 | \$ 15,303 | 4.0% |

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)

| | Restated | | Change | |
|---|---------------------|---------------------|------------------|----------------|
| | 2019 | 2018 | Amount | % |
| <u>Operating Expenses</u> | | | | |
| Salaries and Wages | \$ 57,081 | \$ 55,333 | \$ 1,748 | 3.2% |
| Fringe Benefits | 41,190 | 31,917 | 9,273 | 29.1% |
| Utilities | 12,249 | 14,730 | (2,481) | (16.8%) |
| Professional and Contractual Services | 60,191 | 55,728 | 4,463 | 8.0% |
| Other | 9,956 | 6,465 | 3,491 | 54.0% |
| Depreciation | 80,597 | 71,733 | 8,864 | 12.4% |
| Total Operating Expenses | 261,264 | 235,906 | 25,358 | 10.7% |
| <u>Non-Operating Expenses</u> | | | | |
| Interest Expense on Long-Term Debt | 60,976 | 59,784 | 1,192 | 2.0% |
| Non-Operating Grant Expenses | 178 | 4 | 174 | 4350.0% |
| Green Infrastructure Program | 2,102 | 1,362 | 740 | 54.3% |
| Member Community Infrastructure Community Program | 2,331 | 4,912 | (2,581) | (52.5%) |
| Stormwater Community Cost-Share Disbursement | 8,512 | 4,218 | 4,294 | 101.8% |
| Loss on Disposals of Equipment | 650 | 386 | 264 | 68.4% |
| Total Non-Operating Expenses | 74,749 | 70,666 | 4,083 | 5.8% |
| Total Expenses | 336,013 | 306,572 | 29,441 | 9.6% |
| Change in Net Position | 62,284 | 76,422 | (14,138) | (18.5%) |
| Net Position at Beginning of Year | 1,529,567 | 1,453,145 | 76,422 | 5.3% |
| Net Position at End of Year | \$ 1,591,851 | \$ 1,529,567 | \$ 62,284 | 4.1% |

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, 2019:

- Operating revenues increased by \$15,023,851 (4.1%) compared to 2018. The increase was due to higher sewer billing rates in 2019 and a slight increase of customer accounts.
- Non-operating revenues increased by \$278,920 (2.2%). Non-operating revenues consist of interest revenue, the change in fair value of investments, grant revenue and Federal subsidy revenue. Interest revenue increased by \$2,270,429 (40.8%) due to an increase in investments. The fair value of investments for 2019 increased by \$226,159 (59.6%). Non-operating grant revenue decreased by \$521,873 (100%). Federal subsidy revenue decreased by \$1,695,795 (26.1%) due to the 2010 bond refunding.
- Operating expenses increased \$25,356,933 (10.7%) compared to 2018. Main components of operating expenses are as follows:
 - Salary and wages increased \$1,748,383 (3.2%) due to new positions for both the wastewater and stormwater programs and general salary increases.
 - Fringe benefits increased \$9,272,109 (29.1%) due to the increase in health care costs, increased pension expense for OPERS and OPEB and medical expenses.

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

- Utilities decreased \$2,480,885 (16.8%) mainly due to Wastewater Treatment Plants, EMSC and GJM consuming less power. Decrease is also due to ongoing sustainability efforts and negotiated reduced power rates from recent contract negotiations. Natural gas decreased by \$403,760 (23.9%) also due to facilities using less gas and to ongoing sustainability efforts.
 - Professional and contractual services increased \$4,463,366 (8.0%) due to ongoing and newly awarded Stormwater projects.
 - Other expenses increased due the net effect of the changes of its subcategory expenses. Software expense increased \$474,463 (24.1%) due to Global Information System (GIS) mapping, Human Resources Time Management, Financial and database software renewals. Chemicals increased \$514,644 (19.7%) due to sodium hydroxide, ferric chloride solution and polymer use for the plants. Repair and maintenance expenses increased \$407,559 (14.4%) due to Substation repairs at Southerly plants and HVAC maintenance at various District facilities. Judgments expense decreased \$717,738 (98.9%) due to a non-recurring agreement payout to the City of North Royalton in 2018.
- Non-operating expenses increased \$4,082,631 (5.8%) due to increases in stormwater community cost-share reimbursements, green infrastructure payments and an increase in interest expense on long-term debt. Interest expense increased by \$1,191,615 (2.0%).

Capital Assets

At December 31, 2020, capital asset balances were as follows compared to 2019. Refer to Notes 2 and 6 of the audited financial statements for more detailed information on capital assets.

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

| | 2020 | 2019 | Change | |
|--|---------------------|---------------------|-------------------|-------------|
| | | | Amount | % |
| Land | \$ 39,645 | \$ 35,707 | \$ 3,938 | 11.0% |
| Construction in Progress | 481,985 | 666,422 | (184,437) | (27.7%) |
| Interceptor Sewer Lines | 1,583,723 | 1,286,502 | 297,221 | 23.1% |
| Buildings, Structures and Improvements and Equipment | 618,410 | 618,870 | (460) | (0.1%) |
| Sewage Treatment and Other Equipment | 346,424 | 362,049 | (15,625) | (4.3%) |
| Right to Use-Intangible | 4,034 | 4,217 | (183) | (4.3%) |
| Total | <u>\$ 3,074,221</u> | <u>\$ 2,973,767</u> | <u>\$ 100,454</u> | <u>3.4%</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

At December 31, 2019, capital asset balances were as follows compared to 2018. Refer to Notes 2 and 6 of the audited financial statements for more detailed information on capital assets.

Capital Assets at December 31, 2019 and 2018
(Net of Depreciation, in Thousands)

| | 2019 | 2018 | Change | |
|--|---------------------|---------------------|-------------------|-------------|
| | | | Amount | % |
| Land | \$ 35,707 | \$ 28,860 | \$ 6,847 | 23.7% |
| Construction in Progress | 666,422 | 544,007 | 122,415 | 22.5% |
| Interceptor Sewer Lines | 1,286,502 | 1,282,320 | 4,182 | 0.3% |
| Buildings, Structures and Improvements and Equipment | 618,870 | 621,090 | (2,220) | (0.4%) |
| Sewage Treatment and Other Equipment | 362,049 | 354,040 | 8,009 | 2.3% |
| Right to Use-Intangible | 4,217 | 4,401 | (184) | (4.2%) |
| Total | <u>\$ 2,973,767</u> | <u>\$ 2,834,718</u> | <u>\$ 139,049</u> | <u>4.9%</u> |

| | Amount |
|---|------------------|
| Major Additions Placed into Service in 2019, at Cost Included: | |
| Southerly 1st Stage Aeration Tank and Return Sludge PS Improvements | \$ 17,937 |
| Woodland Central Green Infrastructure Project | 13,103 |
| Southerly 2nd Stage Lift Station Improvements | 13,076 |
| Southerly Building Heat Boiler System Upgrades | 8,057 |
| GBGI/Union Buckeye Green Infrastructure | 6,680 |
| Dugway Regulator & Relief Sewers | 5,780 |
| Stormwater Capital Land | 5,192 |
| District Energy Conservation | 3,708 |
| Westerly Fire Safety & Code | 3,061 |
| Woodland Avenue Storm Sewer | 3,055 |
| Easterly Grease Handling Improvements | 2,423 |
| UPS Upgrades (APM) | 1,689 |
| Superior-Stones-Canal CSO Improvements | 1,462 |
| GJM Interior Renovations | 1,280 |
| | <u>\$ 86,503</u> |

Debt Administration

At December 31, 2020, the 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.

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

At December 31, 2019, the District had total debt outstanding of \$1,780,853,538. This represents an increase of \$113,229,584 for total debt from 2018 due to the issuance of new loans from the Ohio Water Development Authority Water Pollution Control Loan Fund which had increased by \$111,646,198 and issuance of the new 2019 Refunding Bonds in the amount of \$245,005,000 and a premium on those bonds of \$20,461,301; total debt payments were \$296,994,935, of which \$251,720,000 was for defeasance of the 2010 bonds and \$45,274,935 for retirement of loans. The carrying value of the long-term portion of debt at December 31, 2019 was \$1,735,517,503 and the fair value of the long-term debt was \$2,014,226,462.

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

Outstanding Debt at December 31,
(In Thousands)

| | 2020 | 2019 | 2018 |
|-------------------------------|--------------|--------------|--------------|
| Revenue Bonds | \$ 1,078,062 | \$ 1,073,331 | \$ 1,071,748 |
| Water Pollution Loans Payable | 814,932 | 707,522 | 595,876 |
| Total Debt | \$ 1,892,994 | \$ 1,780,853 | \$ 1,667,624 |

Economic Factors

In August 2016, the Board of Trustees 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 District’s billing cycle was changed from quarterly billing to monthly billing. Effective January 1, 2019, rates charged to District customers increased to \$94.15 per mcf for City of Cleveland customers, and to \$95.05 per mcf for the suburban customers. Also, effective January 1, 2019, the fixed fee was increased to \$6.35 per month for regular customers and \$3.80 per month for Homestead/Affordability customers. 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.

Due to the COVID-19 pandemic, collection rates and billed water consumption were affected, and those factors have been incorporated into our 2021 Budget. The 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.

Contacting the District’s Financial Management

This financial report is designed to provide a general overview of the 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, 2020 and 2019

| | Assets | |
|--|-------------------------|-------------------------|
| | 2020 | Restated 2019 |
| Current Assets: | | |
| Cash | \$ 14,037,797 | \$ 28,776,172 |
| Stormwater Cash | 12,966,609 | 10,634,303 |
| Stormwater Community Cost-Share Cash | 30,484,566 | 25,911,002 |
| Short-Term Investments | 373,590,445 | 283,175,085 |
| Sewage Service Fees Receivable, Less Allowance for Doubtful Accounts of \$28,400,000 in 2020 and \$23,800,000 in 2019 | 122,905,496 | 113,046,321 |
| Stormwater Service Fees Receivable, Less Allowance for Doubtful Accounts of \$976,000 in 2020 and \$651,000 in 2019 | 17,996,798 | 16,387,457 |
| Receivables from Federal, State and Other Agencies | 19,736,230 | 23,347,757 |
| Inventory, Prepaid Expenses and Other | 8,221,614 | 8,661,489 |
| Total Current Assets | 599,939,555 | 509,939,586 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Interceptor Sewer Lines | 1,935,390,220 | 1,614,954,066 |
| Buildings, Structures and Improvements and Equipment | 1,215,149,836 | 1,185,515,445 |
| Sewage Treatment and Other Equipment | 664,859,036 | 655,935,613 |
| Right to Use - Intangible | 5,505,574 | 5,505,574 |
| | 3,820,904,666 | 3,461,910,698 |
| Less: Accumulated Depreciation | (1,268,313,013) | (1,190,272,875) |
| | 2,552,591,653 | 2,271,637,823 |
| Land | 39,644,911 | 35,706,856 |
| Construction in Progress | 481,984,718 | 666,422,074 |
| Net Capital Assets | 3,074,221,282 | 2,973,766,753 |
| Long-Term Investments | 34,828,633 | 29,375,868 |
| Revenue Bond Debt Service Deposit - restricted | 12,194,735 | 12,759,244 |
| Net Pension Asset | 1,219,092 | 709,645 |
| Total Noncurrent Assets | 3,122,463,742 | 3,016,611,510 |
| Total Assets | 3,722,403,297 | 3,526,551,096 |
| Deferred Outflows of Resources: | | |
| Pension | 11,693,045 | 30,377,342 |
| OPEB | 8,633,651 | 5,028,738 |
| Deferred Charge on Bond Refunding | 40,176,630 | 25,612,660 |
| Asset Retirement Obligation | 243,991 | 367,048 |
| Total Deferred Outflows of Resources | 60,747,317 | 61,385,788 |
| Total Assets and Deferred Outflows of Resources | \$ 3,783,150,614 | \$ 3,587,936,884 |

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, 2020 and 2019

| | Liabilities and Net Position | |
|---|------------------------------|-------------------------|
| | 2020 | Restated 2019 |
| | <u>2020</u> | <u>2019</u> |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 15,737,033 | \$ 13,785,351 |
| Construction Contracts and Retainages Payable | 17,106,335 | 32,399,020 |
| Accrued Interest Payable | 10,578,689 | 10,989,427 |
| Other Accrued Liabilities | 7,719,565 | 7,224,884 |
| Current Maturities of Long-Term Debt | 52,298,417 | 45,336,035 |
| Short-Term Liability - Asset Retirement Obligation | 73,516 | - |
| Total Current Liabilities | <u>103,513,555</u> | <u>109,734,717</u> |
| Noncurrent Liabilities: | | |
| Long-Term Bonds and WPCLF | 1,840,695,896 | 1,735,517,503 |
| Net Pension Liability | 70,790,382 | 97,078,586 |
| Net OPEB Liability | 52,775,589 | 49,956,323 |
| Long-Term Asset Retirement Obligation | 416,589 | 490,105 |
| Total Noncurrent Liabilities | <u>1,964,678,456</u> | <u>1,883,042,517</u> |
| Total Liabilities | <u>2,068,192,011</u> | <u>1,992,777,234</u> |
| Deferred Inflows of Resources: | | |
| Pension | 15,950,161 | 2,562,686 |
| OPEB | 7,964,097 | 745,559 |
| Total Deferred Inflows of Resources | <u>23,914,258</u> | <u>3,308,245</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>2,092,106,269</u> | <u>1,996,085,479</u> |
| Net Position: | | |
| Net Investment in Capital Assets - Restated, See Note 3 | 1,233,425,735 | 1,231,162,062 |
| Restricted - Stormwater Community Cost-Share | 30,484,566 | 25,911,002 |
| Unrestricted | 427,134,044 | 334,778,341 |
| Total Net Position | <u>\$ 1,691,044,345</u> | <u>\$ 1,591,851,405</u> |

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, 2020 and 2019

| | 2020 | Restated 2019 |
|--|------------------|------------------|
| Operating Revenues - Sewage: | | |
| Billing Agents | \$ 320,790,742 | \$ 310,986,925 |
| Direct Billed | 29,349,538 | 27,610,406 |
| Other | 1,934,392 | 1,615,509 |
| Total Operating Revenues - Sewage | 352,074,672 | 340,212,840 |
| Operating Revenues - Stormwater: | | |
| Billing Agents | 43,886,592 | 43,907,185 |
| Direct Billed | 808,341 | 927,462 |
| Other | (173) | - |
| Total Operating Revenues - Stormwater | 44,694,760 | 44,834,647 |
| Total District's Operating Revenues, Net | 396,769,432 | 385,047,487 |
| Operating Expenses - Sewage: | | |
| Salaries and Wages | 53,664,151 | 53,823,645 |
| Fringe Benefits | 31,440,808 | 40,663,563 |
| Utilities | 12,234,202 | 12,248,936 |
| Professional and Contractual Services | 25,437,661 | 25,952,405 |
| Other | 9,223,437 | 9,846,136 |
| Stormwater Indirect Cost Allocation | (4,096,133) | (4,186,298) |
| Depreciation | 81,614,727 | 80,596,851 |
| Total Operating Expenses - Sewage | 209,518,853 | 218,945,238 |
| Operating Expenses - Stormwater: | | |
| Salaries and Wages | 3,509,846 | 3,257,406 |
| Fringe Benefits | 593,766 | 526,322 |
| Professional and Contractual Services | 17,556,797 | 34,238,683 |
| Other | 100,972 | 109,590 |
| Stormwater Indirect Cost Allocation | 4,096,133 | 4,186,298 |
| Total Operating Expenses - Stormwater | 25,857,514 | 42,318,299 |
| Total District's Operating Expenses | 235,376,367 | 261,263,537 |
| Operating Income | 161,393,065 | 123,783,950 |
| Non-Operating Revenues (Expenses): | | |
| Interest Revenue | 4,468,117 | 7,843,503 |
| Increase in Fair Value of Investments, Net | 996,621 | 604,848 |
| Non-Operating Grant Expenses | - | (177,781) |
| Green Infrastructure Program | (1,286,128) | (2,102,179) |
| Member Community Infrastructure Program | (4,184,855) | (2,331,313) |
| Stormwater Community Cost-Share Disbursement | (7,320,593) | (8,511,830) |
| Loss on Disposals of Equipment | (520,567) | (649,659) |
| Interest Expense on Long-Term Debt | (55,891,482) | (60,975,839) |
| Federal Subsidy Revenue | 1,538,762 | 4,801,356 |
| Total Non-Operating Revenues (Expenses), Net | (62,200,125) | (61,498,894) |
| Change in Net Position | 99,192,940 | 62,285,056 |
| Net Position at Beginning of Year - Restated, See Note 3 | 1,591,851,405 | 1,529,566,349 |
| Net Position at End of Year | \$ 1,691,044,345 | \$ 1,591,851,405 |

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, 2020 and 2019

| | 2020 | Restated 2019 |
|---|----------------|------------------|
| Cash Flows from Operating Activities | | |
| Cash Received From Customers | \$ 377,997,691 | \$ 375,014,077 |
| Cash Payments to Suppliers for Goods and Services | (51,473,753) | (65,538,304) |
| Cash Payments to Employees for Services | (90,470,653) | (100,963,939) |
| Net Cash Provided by Operating Activities | 236,053,285 | 208,511,834 |
| Cash Flows From Investing Activities | | |
| Purchases of Investments | (398,497,692) | (359,204,868) |
| Proceeds from Maturities of Investments | 303,126,219 | 325,482,662 |
| Interest on Investments | 4,682,055 | 7,732,994 |
| Gain on Escrow Substitution | 850,039 | - |
| Delivery Costs for Escrow Substitution | (75,000) | - |
| Net Cash Used by Investing Activities | (89,914,379) | (25,989,212) |
| Cash Flows From Non-Capital Financing Activities | | |
| Grant Payments | - | (177,781) |
| Grants Received | 119,048 | 25,000 |
| Member Community Infrastructure Program Expenses | (2,228,092) | (1,531,853) |
| Green Infrastructure Program Expenses | (343,818) | (1,673,529) |
| Net Cash Used by Non-Capital Financing Activities | (2,452,862) | (3,358,163) |
| Cash Flows From Capital and Related Financing Activities | | |
| Principal Payments on Long-Term Debt | (47,872,511) | (44,781,031) |
| Interest Payments on Long-Term Debt | (52,796,493) | (52,686,162) |
| Proceeds from Issuance of Series 2020 Refunding Bonds | 244,895,000 | - |
| Defeasance of Series 2014 Bonds | (229,324,981) | - |
| Defeasance of Premium on Series 2014 Bonds | (14,034,396) | - |
| Proceeds from Issuance of Series 2019 Refunding Bonds | - | 245,005,000 |
| Premium on 2019 Refunding Bonds | - | 20,461,301 |
| Defeasance of Series 2010 Bonds | - | (269,182,083) |
| Bond Issuance Costs | (502,497) | (500,790) |
| Underwriter Discount Fees | (1,033,126) | (1,038,428) |
| Proceeds from Water Pollution Control Loans | 147,032,461 | 156,457,322 |
| Proceeds on Sale of Capital Assets | 23,099 | 153,975 |
| Acquisition and Construction of Capital Assets | (197,905,105) | (226,135,189) |
| Net Cash Used by Capital and Related Financing Activities | (151,518,549) | (172,246,085) |
| Net (Decrease) Increase in Cash and Stormwater Cash | (7,832,505) | 6,918,374 |
| Cash at Beginning of Year | 28,776,172 | 8,536,761 |
| Stormwater Cash at Beginning of Year | 10,634,303 | 25,820,540 |
| Stormwater Community Cost-Share Cash at Beginning of Year | 25,911,002 | 24,045,802 |
| Cash at End of Year | \$ 57,488,972 | \$ 65,321,477 |

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, 2020 and 2019

| | 2020 | Restated 2019 |
|--|-----------------|------------------|
| Reconciliation of Operating Income to Cash Provided By Operating Activities: | | |
| Operating Income | \$ 161,393,065 | \$ 123,783,950 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 81,614,727 | 80,596,851 |
| Allowance for Doubtful Accounts | 4,925,000 | 247,000 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (23,696,741) | (10,280,410) |
| Deferred Outflows of Resources - Pension | 18,684,297 | (13,669,592) |
| Deferred Inflows of Resources - Pension | 13,387,475 | (11,260,647) |
| Deferred Outflows of Resources - OPEB | (3,604,913) | (130,289) |
| Deferred Inflows of Resources - OPEB | 7,218,538 | (2,415,142) |
| Net Pension Asset | (509,447) | 222,308 |
| Net Pension Liability | (26,288,204) | 40,160,260 |
| Net OPEB Liability | 2,819,266 | 7,527,009 |
| Inventory and Prepaid Expenses | 439,875 | 10,367 |
| Accounts Payable and Other Accrued Liabilities | (329,653) | (6,279,831) |
| Total Adjustments | 74,660,220 | 84,727,884 |
| Net Cash Provided by Operating Activities | \$ 236,053,285 | \$ 208,511,834 |
| Supplemental Schedule of Non-Cash Investing, Capital and Relating Financing Activities | | |
| Long-Term Debt Decreased for Receivables from State Agencies in Connection with Water Pollution Control Loans | \$ (3,475,111) | \$ (6,411,189) |
| Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans | \$ 5,450,895 | \$ 3,545,256 |
| Long-Term Debt Decreased due to Accrued Construction Principal Adjustment in Connection with Water Pollution Control Loans | \$ (73,827) | \$ (493,904) |
| Build America Bonds Subsidy Adjustment | \$ - | \$ (966,663) |
| Capital Assets Decreased due to Capitalized Costs, Recorded Accounts Payable and Asset Reclassifications | \$ (15,292,685) | \$ (5,685,916) |
| Increase in Fair Value of Investments, Net | \$ 996,621 | \$ 604,848 |
| Amortization of Deferred Charge on Bond Refunding | \$ 2,061,627 | \$ 1,185,939 |
| Amortization of Bond Premium and Discount | \$ (5,684,668) | \$ (5,287,915) |

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, 2020 and 2019

Note 1: Reporting Entity

The Northeast Ohio Regional Sewer District (the “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 District provides wastewater treatment and interceptor sewer facilities for the region comprised of the City of Cleveland and 62 suburban communities.

The 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 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 District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The 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 District is not financially accountable for any other organizations. This is evidenced by the fact that the 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 District is solely responsible for its finances. The District is empowered to issue revenue bonds payable solely from sewer charge revenues.

Component units are legally separate organizations for which the District is financially accountable. The 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 District has no component units.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

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

Basis of Presentation

The 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 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 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 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 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.

Reclassifications

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

Cash Equivalents and Investments

The 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.

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 District has adopted Governmental Accounting Standards Board (GASB), Statement No.79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at amortized cost.

For the years ended December 31, 2020 and 2019, 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 \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Short-Term Investments

Short-term investments consist of non-negotiable certificates of deposit, obligations of Federal agencies, and STAR Ohio.

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.

Investments

The carrying value of the District's investments in U.S. Treasury Securities, and obligations of Federal Agencies, is fair value in accordance with the application of GASB Statement No. 31. The carrying value of the District's certificates of deposit approximate fair value due to the relative short maturities of these financial instruments.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Long-Term Debt

The fair value of the District's long-term debt is estimated based on the borrowing rates currently available to the District for loans with comparable maturities. The estimated fair value of the District's long-term debt, net of the current portion, at December 31, 2020 was \$1,873,625,259. The estimated fair value of the District's long-term debt, net of the current portion, at December 31, 2019 was \$2,014,226,462.

Long-Term Investments and Restricted Accounts

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

Long-Term Investments

At December 31, 2020 and 2019, 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 of Trustees. 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 and the 2020 Series Wastewater Improvement Revenue Refunding Bonds.

Revenue Bond Debt Service Deposit

These amounts represent advance deposits made to the District's bond trustee for principal and interest payments on revenue bonds. Investments at December 31, 2020 and 2019 consisted of direct obligations of the United States Government, money market funds plus accrued interest.

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 \$29,376,000 and \$24,451,000 at December 31, 2020 and 2019, 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

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.

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 position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the statements of net position as deferred charge on refunding, future pension, other postemployment benefit (OPEB) obligations, and unamortized asset retirement obligation cost. The deferred outflows of resources related to pension and OPEB plans are explained, respectively, in Note 8 and Note 9. On the 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

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 position that applies to a future period and will not be recognized until that time. For the 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 8 and 9.

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 8 and 9, 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.

Net Position

In the 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 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The District's Board of Trustees adopted a reserve policy in July 2009 that annually designates amounts of the 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 of Trustees. A summary of reserve amounts that have been designated by the Board of Trustees at December 31, 2020 and 2019 follows:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

Net Position (continued)

| | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|
| General Operating Reserve | \$ 36,455,289 | \$ 34,399,656 |
| Equipment Repair and Replacement Reserve | 59,230,703 | 58,625,794 |
| Insurance Reserve | 19,134,787 | 20,160,802 |
| Rate Stabilization Account | 18,000,000 | 18,000,000 |
| Capital Project Account | 277,556,944 | 201,440,401 |

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) in excess of project expenditures and transfers from the operating account.

During 2019, the General Operating Reserve increased by \$88,560 due to an increase in the operating budget compared to 2018. The Equipment Repair and Replacement Reserve increased \$953,353 due to interest revenue. The Insurance Reserve had a net decrease of \$843,972 due to insurance premiums and claims paid in excess of the interest earned. The Rate Stabilization account stayed the same compared to 2018. The Capital Project account increased by \$55,435,404 due to increases in Ohio Water Development Authority (OWDA) loan receipts via the Water Pollution Control Loan Fund (WPCLF) in excess of project expenditures and transfers from the operating account.

Revenues and Expenses

Operating revenues and expenses result from providing wastewater conveyance and treatment and stormwater services. Operating revenues consist of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating revenues are shown net of bad debt expense of \$10,809,758 in 2020 and \$5,933,688 in 2019. 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, 2020 and 2019 are unbilled sewage service fees of \$23,286,419 and \$21,791,217, respectively. Included in stormwater service fees receivable at December 31, 2020 and 2019 are unbilled stormwater service fees of \$2,255,419 and \$2,087,900; respectively.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies (continued)

Revenues and Expenses (continued)

In August 2016, the Board of Trustees approved rate increases scheduled for the years 2017 through 2021. Effective January 1, 2017, rates charged to customers increased approximately 8.5% for customers in the City of Cleveland, and 8.0% for the suburban customers. In addition to the current volumetric discount rates for the Homestead Program and Affordability programs, the District has expanded the discount by applying it to the Fixed Cost Recovery Charge starting in 2017.

Interest Expense

It is the 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, and the 2020 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 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 District Administration and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items for the years ended December 31, 2020 and 2019.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 3: Change in Accounting Principles and Restatement of Prior Year Net Position

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 83, accounting and financial reporting standards for certain asset retirement obligations (AROs). The requirements of this Statement have been incorporated within the District's financial statements. Due to the implementation of GASB 83 for 2020, effective January 1, 2020, the District restated prior year net position to recognize ARO obligation and corresponding deferred outflow of resources in the amount of \$490,105. As of result of the implementation, net position at December 31, 2019, was restated from \$1,591,974,462 to \$1,591,851,405.

Note 4: Deposits and Investments

Deposits

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. At December 31, 2020, the carrying amount of the 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 (Ohio Pooled Collateral System). Of the bank balance, \$45,764,765 is stormwater cash and cash equivalents, and is deposited with Star Ohio. At December 31, 2019, the carrying amount of the District's deposits was \$65,321,477 and the bank balance was \$68,903,618. Of the bank balance, \$16,352,248 is sewer cash, of which, \$250,000 was covered by Federal depository insurance and \$16,102,248 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). Of the bank balance, \$47,551,370 is stormwater cash and cash equivalents, and is deposited with Star Ohio. The 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 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 Ohio Pooled Collateral System (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. 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, 2020 and 2019, one of the District's two financial institutions is a member of OPCS.

Investments

The District's investment policies are currently governed by its Series 2020, 2019, 2017, 2016, 2014, 2013, and 2010 Wastewater Improvement Revenue Bond Resolution (the "Resolution") as permitted by State statute. The Resolution allows the 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 and 2020 Series Bonds.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 4: Deposits and Investments (continued)

During 2020, the District performed an escrow substitution for 2017 and 2019 Bonds series funds which resulted in a positive change in the underlying value of the escrow investments due to favorable interest rates. The savings of \$850,039 will be used to offset future debt service funding obligations and is recognized in the financial statements.

At December 31, 2020, the 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 |
| Texas ST | 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> |

At December 31, 2019, the 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 | \$ 99,086,881 | 31% | \$ 85,971,440 | \$ 13,115,441 |
| State Treasury Asset Reserve | 192,657,143 | 59% | 192,657,143 | - |
| Federal Home Loan Mortgage Corp. | 5,033,667 | 2% | 5,033,667 | - |
| Federal Home Loan Bank | 16,282,731 | 5% | 8,112,655 | 8,170,076 |
| Federal Farm Credit Bank | 8,090,351 | 2% | - | 8,090,351 |
| Certificates of Deposit | 4,154,493 | 1% | 4,154,493 | - |
| Dreyfus Cash Management | 4,931 | 0% | 4,931 | - |
| | <u>\$ 325,310,197</u> | | <u>\$ 295,934,329</u> | <u>\$ 29,375,868</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 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 District.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 4: 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 District's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest-bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("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, 2020, the District's investment in U.S. instrumentalities consisted of Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank. As of December 31, 2019, the District's investment in U.S. instrumentalities consisted of Federal Home Loan Mortgage Corporation, Federal Home Loan Bank 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 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 District to require full collateralization of all investments other than obligations of U.S. Government, its agencies and instrumentalities. The District's investment in U.S. agencies with fair values totaling \$32,621,175 has maturities of \$8,160,957 in less than one year and \$24,460,218 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 District's securities associated with the principal and interest payment of bond obligations in the amount of \$12,194,735 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 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 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. More than five percent of the District's investments are in U.S. Treasury Notes, Star Ohio and Federal Home Loan Bank.

Note 5: Transactions with the City of Cleveland

As required by the court order establishing the District, the District and the City of Cleveland (the "City") entered into agreements which provide for the City, as the 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 District or by other billing agents.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 5: Transactions with the City of Cleveland (continued)

Table below includes a summary of sewer and stormwater billing and collection transactions between the City and the District for 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| Amounts due from District customers at beginning of year for invoices rendered by the City | \$ 121,265,963 | \$ 119,511,285 |
| Amounts billed to District customers by the City during the year | 368,023,040 | 356,480,461 |
| Cash collected from District customers by the City and remitted to the District during the year | (348,053,495) | (344,838,167) |
| Write off of inactive accounts | (5,795,605) | (5,610,241) |
| Cash collected directly by the District on invoices rendered by the City and other adjustment | (1,164,467) | (4,277,375) |
| Balance due from customers at end of year, included in service fees receivable before allowance for doubtful accounts | <u>\$ 134,275,436</u> | <u>\$ 121,265,963</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 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 2020 and 2019 were \$8,690,172 and \$8,565,088, respectively; of which, \$712,527 for 2020 and \$709,409 for 2019 are included in accounts payable on the District's statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 6: Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2020 was as follows:

| | 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 | | | |
| Depreciation Expense, Asset Retirement Obligation | | 123,058 | | | |
| | | <u>\$ 81,614,727</u> | | | |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 6: Capital Assets and Depreciation (continued)

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Balance December 31, 2018 | Additions | Retirements | Transfers | Balance December 31, 2019 |
|--|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|
| Non-depreciable Capital Assets: | | | | | |
| Land | \$ 28,859,749 | \$ - | \$ - | \$ 6,847,107 | \$ 35,706,856 |
| Construction in Progress | 544,006,768 | 213,972,852 | - | (91,557,546) | 666,422,074 |
| Total Non-depreciable Capital Assets | <u>572,866,517</u> | <u>213,972,852</u> | <u>-</u> | <u>(84,710,439)</u> | <u>702,128,930</u> |
| Depreciable Capital Assets: | | | | | |
| Interceptor Sewer Lines | 1,587,441,872 | - | (21,013) | 27,533,207 | 1,614,954,066 |
| Buildings, Structures and Improvements and Equip. | 1,157,328,957 | 275,910 | (221,236) | 28,131,814 | 1,185,515,445 |
| Sewage Treatment and Other Equipment | 644,560,640 | 6,077,455 | (23,747,900) | 29,045,418 | 655,935,613 |
| Right to Use-Intangible (*) | 5,505,574 | - | - | - | 5,505,574 |
| Total Depreciable Capital Assets | <u>3,394,837,043</u> | <u>6,353,365</u> | <u>(23,990,149)</u> | <u>84,710,439</u> | <u>3,461,910,698</u> |
| Total Historical Cost | <u>3,967,703,560</u> | <u>220,326,217</u> | <u>(23,990,149)</u> | <u>-</u> | <u>4,164,039,628</u> |
| Less Accumulated Depreciation For: | | | | | |
| Interceptor Sewer Lines | (305,122,230) | (23,352,344) | 21,013 | - | (328,453,561) |
| Buildings, Structures and Improvements and Equip. | (536,238,667) | (30,619,999) | 213,718 | - | (566,644,948) |
| Sewage Treatment and Other Equipment | (290,519,974) | (26,318,082) | 22,951,784 | - | (293,886,272) |
| Right to Use-Intangible (*) | (1,104,725) | (183,369) | - | - | (1,288,094) |
| Total Accumulated Depreciation | <u>(1,132,985,596)</u> | <u>(80,473,794)</u> | <u>23,186,515</u> | <u>-</u> | <u>(1,190,272,875)</u> |
| Capital Assets, Net | <u>\$ 2,834,717,964</u> | <u>\$ 139,852,423</u> | <u>\$ (803,634)</u> | <u>\$ -</u> | <u>\$ 2,973,766,753</u> |
| Depreciation Expense Charged to Operating Expenses | | \$ 80,473,794 | | | |
| Depreciation Expense, Asset Retirement Obligation | | 123,057 | | | |
| | | <u>\$ 80,596,851</u> | | | |

(*) During 2012, the 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 District has the right to use the power provided from the Nine Mile Creek substation, which was constructed by the 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, 2020 and 2019. Below is a schedule of the amounts to be expensed in future years:

| Year Ending December | Amortization of Intangible Asset |
|----------------------|-------------------------------------|
| 2021 | \$ 183,369 |
| 2022 | 183,369 |
| 2023 | 183,369 |
| 2024 | 183,369 |
| 2025 | 183,369 |
| 2026-2030 | 916,843 |
| 2031-2035 | 916,843 |
| 2036-2040 | 916,843 |
| 2041-2042 | 366,738 |
| | <u>\$ 4,034,112</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 6: Capital Assets and Depreciation (continued)

Asset Retirement Obligations (“ARO”) – During 2020, the 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 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 District’s plans to maintain them in perpetuity.

Ohio Revised Code Section 6111.44 requires the District to submit any changes to their sewage system to the Ohio EPA for approval. Through this review process, the District would be responsible to address any public safety issues associated with their wastewater treatment facilities. As discussed below, the District has recorded an Asset Retirement Obligation (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 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 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 year ended December 31, 2020, the average estimated useful lives range from three to five years. At December 31, 2020 and 2019, the ARO related to the buildings was \$416,589 and \$490,105; respectively, of which \$73,516 and \$0, respectively, are classified as current liabilities on the financial statements. At December 31, 2020, depreciation for ARO liability is rolled up to the total depreciation in the statements of revenues, expenses and changes in net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations

A summary of long-term debt outstanding at December 31, 2020 and 2019 follows:

| | Interest Rate | 2020 | 2019 |
|---|---------------|------------------|------------------|
| 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% | 20,215,000 | 24,730,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2014: | | | |
| Serial Bonds Maturing 2018 through 2049 | 1.75%-5.00% | 179,925,000 | 391,870,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2016: | | | |
| Serial Bonds Maturing 2018 through 2036 | 3.00% | 21,620,000 | 21,790,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2017: | | | |
| Serial Bonds Maturing 2019 through 2043 | 3.00-5.00% | 240,455,000 | 241,040,000 |
| 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 2021 through 2049 | 1.66%-3.30% | 241,665,000 | - |
| Water Pollution Control Loans Fund Through 2054 | 0.00%-5.20% | 814,932,184 | 707,522,345 |
| Total Bonds and WPCLF | | 1,849,027,184 | 1,717,167,345 |
| Less Current Maturities | | (52,298,417) | (45,336,035) |
| Bond Premium (Discount), Net | | 43,967,129 | 63,686,193 |
| Total Long-Term Bonds and WPCLF | | \$ 1,840,695,896 | \$ 1,735,517,503 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

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

On November 17, 2010, the 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 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 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 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 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 District is to receive 35.0% of the Bond interest as the Build America Bonds Subsidy. The subsidy payment amounts received in 2020 and 2019 were \$1,538,762 and \$4,801,356, respectively, which is a reduction of \$12,646 and \$966,663 due to the recent sequester by Congress and a partial refunding of the 2010 Bonds. The subsidy payment for 2020 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:

| Year Ending December 31, | Subsidy Amount |
|--------------------------|----------------|
| 2021 | \$ 1,521,250 |
| 2022 | 1,521,250 |
| 2023 | 1,521,250 |
| 2024 | 1,521,250 |
| 2025 | 1,521,250 |
| 2026-2030 | 6,321,285 |
| 2031-2032 | 977,004 |
| | \$ 14,904,539 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Bonds, Series 2013

On March 26, 2013, the 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 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 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 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 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. These bonds are payable from the revenues of the 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 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 District establish certain debt service funds, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operation and maintenance charges have been paid.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2016

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

Wastewater Improvement Revenue Refunding Bonds, Series 2017

On September 20, 2017, the 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 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 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 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, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2019

On September 10, 2019, the 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 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 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 District establish certain debt service accounts, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid.

Wastewater Improvement Revenue Refunding Bonds, Series 2020

On February 4, 2020, the 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 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 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 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, 2020 and 2019

Note 7: Long-Term Obligations (continued)

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 and 2020 Series Bonds and are payable from the revenues of the 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 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 District had a SRF loan award related to a project which was not complete as of December 31, 2020. Loans related to completed construction projects are being repaid in semi-annual payments of principal and interest over a period of up to twenty-three years. SRF loans outstanding by completion or expected completion year of the related projects as of December 31, 2020 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 – 2019 | 38 | \$ 354,502,443 | \$ 1,169,421 |
| 2020 – 2024 | 35 | 460,429,741 | 188,902,706 |
| | | \$ 814,932,184 | \$ 190,072,127 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Defeasance Transactions

In 2014, the District issued \$68,460,000 in Wastewater Improvement Revenue Refunding bonds (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued on May 22, 2007 of \$72,940,000. 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 refunded portion of the series 2007 wastewater improvement bonds. As a result, that portion of the 2007 series bonds is considered defeased, and the District has removed the liability from its accounts. As the result of refunding, total debt service payments were reduced over the next 18 years by \$6,908,449. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$4,966,923. As of December 31, 2020 and 2019, \$0 and \$62,285,000; respectively, are the portions of refunded debt which remain outstanding. The Series 2007 Bonds were not subject to redemption at the option of the District prior to their stated maturity.

In 2016, the 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 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, 2020, \$21,620,000 is the portion of refunded debt which remain outstanding. The Series 2016 Bonds are not subject to redemption at the option of the District prior to their stated maturity.

In 2017, the 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 District has removed the liability from its accounts. As the result of refunding, total debt service payments were reduced over the next 26 years by \$18,043,899. 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 2019 using the effective interest method. As of December 31, 2020 and 2019, \$240,455,000 and \$241,040,000; 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, 2028 shall be subject to redemption prior to maturity at the option of the District in whole or in part, at any time on or after May 15, 2028 from any moneys available therefor, in the maturities designated by the 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, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

In 2019, the 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 District has removed the liability from its accounts. As the result of refunding, total debt service payments were reduced over the next 21 years by \$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 2019 using the effective interest method. As of December 31, 2020, \$245,005,000 of the portion of refunded debt remained outstanding. The Series 2019 Bonds shall be subject to redemption prior to maturity at the option of the 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 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 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 District has removed the liability from its accounts. As the result of refunding, total debt service payments were reduced over the next 30 years by \$43,545,400. 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, 2020, \$241,665,000 of the portion of refunded debt remained outstanding. The Series 2020 Bonds shall be subject to redemption prior to maturity at the option of the 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 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, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements

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

The total future debt service requirements for all long-term debt not defeased or refunded as of December 31, 2020 follows:

| | Wastewater Improvement Revenue Bonds Series 2010 | | Wastewater Improvement Revenue Bonds Series 2013 | |
|-----------|---|----------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ - | \$ 3,112,470 | \$ 3,850,000 | \$ 801,250 |
| 2022 | - | 3,112,470 | 1,915,000 | 666,750 |
| 2023 | - | 3,112,470 | - | 578,000 |
| 2024 | - | 3,112,470 | - | 578,000 |
| 2025 | - | 3,112,470 | - | 578,000 |
| 2026-2030 | 49,530,000 | 12,933,314 | - | 2,890,000 |
| 2031-2035 | 35,680,000 | 1,998,943 | 14,450,000 | 1,258,000 |
| Total | <u>\$ 85,210,000</u> | <u>\$ 30,494,607</u> | <u>\$ 20,215,000</u> | <u>\$ 7,350,000</u> |

| | Wastewater Improvement Revenue Refunding Bonds Series 2014 | | Wastewater Improvement Revenue Refunding Bonds Series 2016 | |
|-----------|---|-----------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 3,385,000 | \$ 7,539,525 | \$ 175,000 | \$ 648,600 |
| 2022 | 3,550,000 | 7,370,275 | 180,000 | 643,350 |
| 2023 | 3,705,000 | 7,223,275 | 190,000 | 637,950 |
| 2024 | 3,885,000 | 7,038,025 | 195,000 | 632,250 |
| 2025 | 4,045,000 | 6,882,625 | 200,000 | 626,400 |
| 2026-2030 | 25,680,000 | 30,278,125 | 1,085,000 | 3,038,850 |
| 2031-2035 | 8,710,000 | 26,492,500 | 13,120,000 | 2,690,400 |
| 2036-2040 | - | 25,393,000 | 6,475,000 | 194,250 |
| 2041-2045 | 23,440,000 | 25,393,000 | - | - |
| 2046-2050 | 103,525,000 | 10,555,200 | - | - |
| Total | <u>\$ 179,925,000</u> | <u>\$ 154,165,550</u> | <u>\$ 21,620,000</u> | <u>\$ 9,112,050</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: 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 |
| | 2021 | \$ 615,000 | \$ 9,589,213 | \$ - |
| 2022 | 645,000 | 9,558,462 | - | 7,958,700 |
| 2023 | 1,185,000 | 9,526,212 | - | 7,958,700 |
| 2024 | 2,280,000 | 9,466,962 | - | 7,958,700 |
| 2025 | 3,830,000 | 9,352,962 | - | 7,958,700 |
| 2026-2030 | 30,455,000 | 42,906,313 | - | 39,793,500 |
| 2031-2035 | 31,710,000 | 36,025,813 | 72,320,000 | 37,706,550 |
| 2036-2040 | 90,575,000 | 26,273,538 | 172,685,000 | 17,312,150 |
| 2041-2045 | 79,160,000 | 6,521,200 | - | - |
| Total | <u>\$ 240,455,000</u> | <u>\$ 159,220,675</u> | <u>\$ 245,005,000</u> | <u>\$ 134,605,700</u> |

| | Wastewater Improvement Revenue Refunding Bonds Series 2020 | | Water Pollution Control Loans Fund | |
|-----------|---|-----------------------|---------------------------------------|-----------------------|
| | Principal | Interest | Principal | Interest |
| | 2021 | \$ 1,640,000 | \$ 7,345,026 | \$ 42,633,417 |
| 2022 | 1,665,000 | 7,317,539 | 48,287,285 | 14,608,481 |
| 2023 | 1,695,000 | 7,288,801 | 50,013,231 | 13,514,882 |
| 2024 | 1,725,000 | 7,258,681 | 45,867,062 | 12,357,174 |
| 2025 | 1,760,000 | 7,226,372 | 48,516,413 | 13,581,382 |
| 2026-2030 | 16,615,000 | 35,544,278 | 185,319,363 | 53,478,858 |
| 2031-2035 | 34,340,000 | 31,790,234 | 156,028,437 | 33,578,209 |
| 2036-2040 | 33,670,000 | 27,386,115 | 99,696,443 | 19,242,350 |
| 2041-2045 | 85,720,000 | 19,510,870 | 57,367,834 | 11,568,002 |
| 2046-2050 | 62,835,000 | 5,268,285 | 58,740,873 | 5,784,100 |
| 2051-2055 | - | - | 22,461,826 | 953,182 |
| Total | <u>\$ 241,665,000</u> | <u>\$ 155,936,201</u> | <u>\$ 814,932,184</u> | <u>\$ 191,576,497</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

| | Future Debt Service Requirements | |
|-----------|-------------------------------------|----------------|
| | Total | |
| | Principal | Interest |
| 2021 | \$ 52,298,417 | \$ 49,904,661 |
| 2022 | 56,242,285 | 51,236,027 |
| 2023 | 56,788,231 | 49,840,290 |
| 2024 | 53,952,062 | 48,402,262 |
| 2025 | 58,351,413 | 49,318,911 |
| 2026-2030 | 308,684,363 | 220,863,238 |
| 2031-2035 | 366,358,437 | 171,540,649 |
| 2036-2040 | 403,101,443 | 115,801,403 |
| 2041-2045 | 245,687,834 | 62,993,072 |
| 2046-2050 | 225,100,873 | 21,607,585 |
| 2051-2055 | 22,461,826 | 953,182 |
| Total | \$ 1,849,027,184 | \$ 842,461,280 |

Bond premium and discount activity for 2020 and 2019 are 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 | \$ 63,686,193 | \$ (3,778,263) | \$ (15,940,801) | \$ - | \$ 43,967,129 |

| <u>December 31, 2019</u> | Beginning Balance | Amortized | Refunded | Issued | Ending Balance |
|----------------------------|----------------------|----------------|----------|---------------|-------------------|
| Bond Premium, Series 2013 | \$ 1,551,061 | \$ (278,048) | \$ - | \$ - | \$ 1,273,013 |
| Bond Premium, Series 2014A | 23,225,769 | (1,676,568) | - | - | 21,549,201 |
| Bond Premium, Series 2014B | 6,267,497 | (1,003,908) | - | - | 5,263,589 |
| Bond Discount, Series 2016 | (20,287) | 1,906 | - | - | (18,381) |
| Bond Premium, Series 2017 | 17,488,767 | (1,705,242) | - | - | 15,783,525 |
| Bond Premium, Series 2019 | - | (626,055) | - | 20,461,301 | 19,835,246 |
| Total | \$ 48,512,807 | \$ (5,287,915) | \$ - | \$ 20,461,301 | \$ 63,686,193 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

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

| <u>December 31, 2020</u> | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due in 2021 |
|--|-------------------------|-----------------------|-------------------------|-------------------------|--------------------------|
| 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 | 707,522,345 | 166,502,183 | (59,092,344) | 814,932,184 | 42,633,417 |
| 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 | - | (73,516) | 416,589 | 73,516 |
| Total | <u>\$ 1,864,692,359</u> | <u>\$ 414,216,449</u> | <u>\$ (305,899,064)</u> | <u>\$ 1,973,009,744</u> | <u>\$ 52,371,933</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 7: Long-Term Obligations (continued)

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

| <u>December 31, 2019</u> | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due in 2020 |
|---|-------------------------|-----------------------|-------------------------|-------------------------|--------------------------|
| Wastewater Improvement Revenue Bonds, Series 2010 | \$ 336,930,000 | \$ - | \$ (251,720,000) | \$ 85,210,000 | \$ - |
| Wastewater Improvement Revenue Bonds, Series 2013 | 24,730,000 | - | - | 24,730,000 | 4,515,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2014 | 398,025,000 | - | (6,155,000) | 391,870,000 | 3,225,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2016 | 21,955,000 | - | (165,000) | 21,790,000 | 170,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2017 | 241,595,000 | - | (555,000) | 241,040,000 | 585,000 |
| Wastewater Improvement Revenue Refunding Bonds, Series 2019 | - | 245,005,000 | - | 245,005,000 | - |
| Water Pollution Control Loans Fund | 595,876,147 | 150,046,133 | (38,399,935) | 707,522,345 | 36,841,035 |
| Total Bonds and WPCLF | <u>1,619,111,147</u> | <u>395,051,133</u> | <u>(296,994,935)</u> | <u>1,717,167,345</u> | <u>45,336,035</u> |
| Net Pension Liability - OPERS | 56,918,326 | 40,160,260 | - | 97,078,586 | - |
| Net OPEB Liability - OPERS | 42,429,314 | 7,527,009 | - | 49,956,323 | - |
| Long Term Asset Retirement Obligation | - | 490,105 | - | 490,105 | - |
| Total | <u>\$ 1,718,458,787</u> | <u>\$ 443,228,507</u> | <u>\$ (296,994,935)</u> | <u>\$ 1,864,692,359</u> | <u>\$ 45,336,035</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans

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

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

The net pension/OPEB liabilities (assets) represents the 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 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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the 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 pension plans 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 on the accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Although District employees may elect the member-directed plan, majority of employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on the traditional and combined pension plans.

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

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

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

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 plan (see OPERS CAFR referenced above for additional information):

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Ohio Public Employees Retirement System (OPERS) (continued)

Once a benefit recipient retiring under the traditional pension 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%. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the traditional pension plan and combined plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS-contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Ohio Public Employees Retirement System (OPERS) (continued)

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

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

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

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

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the 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.

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, 2020 and 2019

Note 8: Pension Plans (continued)

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 2020 and 2019 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 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the traditional plan, net of postemployment health care benefits, for 2020 and 2019 was \$7,048,188 and \$6,792,330, respectively. The contractually required contribution for the combined plan, net of postemployment health care benefits, for 2020 and 2019 were \$349,095 and \$352,040, respectively. Of these amounts, \$131,342 and \$7,409 were reported as intergovernmental payables for 2020 and 2019, 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 active member population which consists of members in the traditional and combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

The total pension liability/asset for the measurement periods December 31, 2020 and 2019 were determined using the following actuarial assumptions that follow and as applied to all periods included in the measurement:

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 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability – 2018

| <u>Actuarial Information</u> | <u>OPERS Traditional Plan</u> | <u>OPERS 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 |
| <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 | 3.00% Simple through 2018 then 2.15% Simple | 3.00% Simple through 2018 then 2.15% Simple |

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

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

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

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

During 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a loss of 2.94% for 2018.

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> |

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| <u>Asset Class</u> | 2018 Target Allocation | 2018 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|---------------------------------------|--|
| Fixed income | 23.0% | 2.79% |
| Domestic equities | 19.0% | 6.21% |
| Real estate | 10.0% | 4.90% |
| Private equity | 10.0% | 10.81% |
| International equities | 20.0% | 7.83% |
| Other investments | <u>18.0%</u> | <u>5.50%</u> |
| Total | <u>100.0%</u> | <u>5.95%</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability (asset) for measurement years 2019 and 2018 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).

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the 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 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) |

District’s proportionate share of net pension (asset) at December 31, 2019:

| | <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 | \$ 143,413,302 | \$ 97,078,586 | \$ 58,574,019 |
| District’s proportionate share of the net pension asset – combined | \$ (234,808) | \$ (709,645) | \$ (1,053,461) |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

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, 2020 and 2019, was measured as of December 31, 2019 and 2018, respectively. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on the 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.

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 |

2019 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 | 0.362813% | 0.684592% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.354457%</u> | <u>0.634615%</u> | |
| Change in Proportionate Share | (0.008356%) | (0.049977%) | |
| Proportionate share of the net pension assets | \$ - | \$ 709,645 | \$ 709,645 |
| Proportionate share of the net pension liability | \$ 97,078,586 | \$ - | \$ 97,078,586 |
| Pension expense | \$ 22,402,410 | \$ 194,289 | \$ 22,596,699 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

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

At December 31, 2020, the 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> |

The \$7,397,283 reported as deferred outflows of resources related to pension resulting from the 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 8: Pension Plans (continued)

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

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---------------------------------|------------------------------|---------------------------|------------------------|
| Fiscal Year Ending December 31: | | | |
| 2021 | \$ (1,896,579) | \$ (75,428) | \$ (1,972,007) |
| 2022 | (4,447,346) | (72,459) | (4,519,805) |
| 2023 | 584,751 | (28,369) | 556,382 |
| 2024 | (5,607,002) | (86,258) | (5,693,260) |
| Thereafter | - | (25,709) | (25,709) |
| | <u>\$ (11,366,176)</u> | <u>\$ (288,223)</u> | <u>\$ (11,654,399)</u> |

At December 31, 2019, the 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 | \$ 6,792,330 | \$ 352,040 | \$ 7,144,370 |
| Differences between projected and actual earnings on pension plan investments | 13,176,281 | 152,868 | 13,329,149 |
| Differences in employer contributions and change in proportionate share | 1,251,363 | 38,560 | 1,289,923 |
| Difference between expected and actual experience | 4,477 | - | 4,477 |
| Change in assumptions | <u>8,450,929</u> | <u>158,494</u> | <u>8,609,423</u> |
| Total deferred outflow of resources | <u>\$ 29,675,380</u> | <u>\$ 701,962</u> | <u>\$ 30,377,342</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 | \$ 949,178 | \$ 48,975 | \$ 998,153 |
| Difference between expected and actual experience | <u>1,274,698</u> | <u>289,835</u> | <u>1,564,533</u> |
| Total deferred inflow of resources | <u>\$ 2,223,876</u> | <u>\$ 338,810</u> | <u>\$ 2,562,686</u> |

The \$7,144,370 reported as deferred outflows of resources related to pension resulting from the 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, 2020.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 9: 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. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020 and 2019, 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 2020 and 2019. The portion of employer contributions allocated to health care for members in the member-direct plan was 4% during 2020 and 2019.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

Plan Description - Ohio Public Employees Retirement System (continued)

Employer contribution rate are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contributions to OPERS health care plans was \$200,640 and \$184,030 for 2020 and 2019, 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 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 for the measurement period December 31, 2019 was determined using the following actuarial assumptions that follow.

| | <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 |

The total OPEB liability for the measurement period December 31, 2018 was determined using the following actuarial assumptions that follow.

| | <u>Assumptions</u> |
|--|--|
| Valuation date | December 31, 2017 |
| Rolled-forward measurement date | December 31, 2018 |
| 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 | 3.71% |
| Single discount rate of return | 3.96% |
| Health care cost trend | Initial 10.00% to 3.25% ultimate in 2029 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

Actuarial Assumptions – OPERS (continued)

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

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

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

During 2019 and 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019 and a loss of 5.60% for 2018.

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

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

Actuarial Assumptions – OPERS (continued)

| <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> |

| <u>Asset Class</u> | 2018 Target Allocation | 2018 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|---------------------------------------|--|
| Fixed income | 34.0% | 2.42% |
| Domestic equities | 21.0% | 6.21% |
| Real estate | 6.0% | 5.98% |
| International equities | 22.0% | 7.83% |
| Other investments | <u>17.0%</u> | <u>5.57%</u> |
| Total | <u>100.0%</u> | <u>5.16%</u> |

* Building block method whereby best-estimate ranges of expected future returns 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.

Discount rate A single discount rate of 3.16% and 3.96% were used to measure the OPEB liability on the measurement dates of December 31, 2019 and 2018, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75% and 3.71% for the measurement dates of December 31, 2019 and 2018, respectively. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be met 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the 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 |

The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, 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, 2019.

| | 1% Decrease (2.96%) | Discount Rate (3.96%) | 1% Increase (4.96%) |
|--|------------------------|--------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 63,912,756 | \$ 49,956,323 | \$ 38,857,270 |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

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, 2020 and 2019

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

OPEB Liabilities, Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS

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, 2019.

| | Health Care Cost | | |
|--|--------------------|---------------------------------|--------------------|
| | <u>1% Decrease</u> | Current <u>Discount Rate</u> | <u>1% Increase</u> |
| District's proportionate share of the net OPEB liability | \$ 48,018,864 | \$ 49,956,323 | \$ 52,187,754 |

Assumption Changes Since the Prior Measurement Date The OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.50% to 6.00%. Municipal bond rate decreased from 3.71% to 2.75% and the single discount rate decreased from 3.96% to 3.16%. The health care cost trend rate also increased from 10.00% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

The net OPEB liability for OPERS as of December 31, 2020, was measured as of December 31, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the 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, 2020:

| | OPERS |
|---|---------------|
| Proportion of the net OPEB liability prior measurement date | 0.383170% |
| Proportion of the net OPEB liability current measurement date | 0.382083% |
| 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 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 | 200,641 |
| Total deferred outflow of resources | \$ 8,633,651 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

OPEB Liabilities, Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS

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> |

The \$200,641 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. The \$184,030 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. 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: | |
| 2021 | \$ 1,047,673 |
| 2022 | 567,421 |
| 2023 | 2,139 |
| 2024 | <u>(1,148,320)</u> |
| | <u>\$ 468,913</u> |

At December 31, 2019, the District reported its proportionate share of net OPEB liabilities and OPEB expense from OPERS, based on December 31, 2018 measurement, as displayed in the subsequent table.

| | OPERS |
|---|------------------|
| Proportion of the net OPEB liability prior measurement date | 0.390720% |
| Proportion of the net OPEB liability current measurement date | <u>0.383170%</u> |
| Change in proportionate share | (0.007550%) |
| Proportionate share of the net OPEB liability | \$ 49,956,323 |
| OPEB expense | \$ 5,165,609 |

At December 31, 2019, the District reported deferred outflow and inflow of resources related to OPEB liabilities from OPERS OPEB plan, based on December 31, 2018 measurement, as indicated in the table below:

| | OPERS |
|---|---------------------|
| Deferred outflow of resources | |
| Difference between expected and actual experience | \$ 16,916 |
| Change in assumptions | 1,610,652 |
| Difference between projected and actual earnings on plan investments | 2,290,203 |
| Differences in employer contributions and change in proportionate share | 926,937 |
| Contributions subsequent to the measurement date | <u>184,030</u> |
| Total deferred outflow of resources | <u>\$ 5,028,738</u> |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

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

OPEB Liabilities, Deferred Outflows, Deferred Inflows and OPEB Expense – OPERS

Deferred inflow of resources

| | | |
|--|----|-----------------------|
| Difference between expected and actual experience | \$ | 135,547 |
| Differences in employer contributions and change in proportionate share | | <u>610,012</u> |
| Total deferred inflow of resources | \$ | <u><u>745,559</u></u> |

Employer contributions as a percent of covered payroll towards OPEB plans were 0% for the 2018 and thereafter. No portion of the required 14% was allocated to healthcare in 2019.

Note 10: Deferred Compensation Plans

Under a deferred compensation program, the District offers two plans created in accordance with Internal Revenue Code Section 457 (IRC 457). Eligible employees of the 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 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, 2020, the assets of both plans met the applicable trust requirements and are therefore excluded from the District's financial statements.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 11: Risk Management

The 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 District maintains an insurance reserve to account for and finance its uninsured risks of property damage. The 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 |
|------|----------------------|--------------|-------------------------|-------------------|
| 2020 | \$ 109,175 | \$ (84,305) | \$ 57,139 | \$ 82,009 |
| 2019 | \$ 51,263 | \$ (110,644) | \$ 168,556 | \$ 109,175 |

Estimated liabilities are not material with respect to the financial position of the District. The claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2020 is estimated to be paid during the year ending December 31, 2021. The District's insurance reserves as of December 31, 2020 and 2019 were \$19,134,787 and \$20,160,802; respectively, and are included in short-term investments on the District's statements of net position.

Employee Health Benefits

The 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 \$200,000 per claim, per year.

The claims liabilities of \$918,993 and \$998,337 reported at December 31, 2020 and 2019, respectively, were estimated by reviewing current claims and is based on the requirements of Governmental Accounting Standards Board 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, 2020 is estimated to be paid during the year ending December 31, 2021. The balance as of December 31, 2019 was paid during the year ending December 31, 2020.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 11: Risk Management (continued)

Employee Health Benefits (continued)

Changes in the claims liability amounts in 2020 and 2019 were as follows:

| | Beginning of Year | Current year Claims | Claims Payment | End of Year |
|------|----------------------|------------------------|-------------------|-------------|
| 2020 | \$ 998,337 | \$ 10,095,670 | \$ (10,175,014) | \$ 918,993 |
| 2019 | \$ 1,017,297 | \$ 9,800,568 | \$ (9,819,528) | \$ 998,337 |

Note 12: Commitments and Contingencies

City of Pepper Pike, Ohio – SOM Center Relief Sewer Project

In August 2009, the Board of Trustees approved to enter into a Project and Financing Agreement with the City of Pepper Pike for a maximum loan amount of \$1,715,000 at a simple interest rate of 3.5%. As of December 31, 2020 the loan was paid in full and as of December 31, 2019 the balance was \$8,567, which is included in the Receivables from Federal, State and other agencies on the accompanying statements of net position. The parties entered into a revised, “interest-free” repayment agreement, to repay the loan over a five-year period.

Combined Sewer Overflows Long-Term Control Plan

The Combined Sewer Overflow (CSO) Consent Decree between the District and US EPA, US DOJ, Ohio EPA, and the Ohio Attorney General, entered on July 7, 2011, requires the 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 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 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, 2020, and 2019, the District did not anticipate any failures that would result in such penalties.

Other Litigation

The 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 District.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 13: Fair Value Measurements

The 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.

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 |
| | \$ 322,577,765 | \$ 98,036,048 | \$ - | \$ 420,613,813 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 13: Fair Value Measurements (continued)

Financial assets at December 31, 2019 consisted of the following:

| | Level 1 | Level 2 | Level 3 | Total at 12/31/2019 |
|---|----------------|----------------|---------|------------------------|
| <u>Short-Term Investments</u> | | | | |
| Money Market Funds | \$ 192,657,143 | \$ - | \$ - | \$ 192,657,143 |
| Certificates of Deposit | - | 4,154,493 | - | 4,154,493 |
| U.S. Treasury Bills | - | - | - | - |
| Fixed Income Securities | - | 13,146,322 | - | 13,146,322 |
| U.S. Gov't Obligation | - | 73,217,127 | - | 73,217,127 |
| <u>Long Term Investments</u> | | | | |
| Fixed Income Securities | - | 16,260,427 | - | 16,260,427 |
| U.S. Gov't Obligations | - | 13,115,441 | - | 13,115,441 |
| <u>Revenue Bond Debt Service Fund</u> | | | | |
| Money Market Funds | 4,931 | - | - | 4,931 |
| U.S. Gov't Obligations | - | 12,754,313 | - | 12,754,313 |
| | \$ 192,662,074 | \$ 132,648,123 | \$ - | \$ 325,310,197 |

Note 14: Changes in Accounting Principles

For the year ended December 31, 2020, the District implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 83, *Certain Asset Retirement Obligations (AROs)*. This Statement requires a governmental entity that has legal obligation (laws and regulatory requirements, court judgements, contracts, etc.) to perform future asset retirement activities related to its tangible capital assets to recognize a liability, and a corresponding deferred outflow of resources. A liability must be recognized by a government that will eventually retire, dispose of, or environmentally remediate upon retirement, a capital asset if that retirement or disposal carries with it legally enforceable obligations. Measurement of the liability and initial deferred outflow is based on the best estimate of the amount of the current value of outlays expected to be incurred. Annually, the deferred outflow is expensed over the remaining life of the capital asset and evaluated to determine whether the estimate of the liability continues to be appropriate. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2019. As a result, effective January 1, 2020, the District restated prior year net position to recognize ARO obligation and corresponding deferred outflow of resources in the amount of \$490,105. As of result of the implementation, net position at December 31, 2019, was restated from \$1,591,974,462 to \$1,591,851,405.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 14: Changes in Accounting Principles (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, 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. There was no impact to the financial statements and disclosures from this application.

GASB Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*, issued in April 2019, provides guidance that clarifies, explains, or elaborates on GASB Statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this implementation guide to reporting periods beginning after June 15, 2020. The implementation of this GASB pronouncement did not result in any changes to the District financial statements and disclosures.

Pronouncements Issued but Not Effective:

GASB Statement No. 87, *Leases*. 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. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-3, *Leases*, issued in August 2019, provides guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, *Leases*. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this implementation guide to reporting periods beginning after June 15, 2021. The District has not yet determined the impact that this GASB implementation guide will have on its financial statements and disclosures.

GASB Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*, issued in April 2020, provides guidance that clarifies, explains, or elaborates on GASB Statements. Effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

GASB Statement No. 91, *Conduit Debt Obligations*, issued 5/2019. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*, issued 1/2020. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2020 and 2019

Note 14: Changes in Accounting Principles (continued)

Pronouncements Issued but Not Effective (continued):

GASB Statement No. 93, Replacement of Interbank Offered Rates, issued 3/2020. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, issued 3/2020. 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, issued 5/2020. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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*, issued 6/2020. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement as follows: Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement). Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged if Statement 84, as amended, has been implemented.

Note 15: Subsequent Event

Subsequent to year-end, the District's investment portfolio and/or the investments of the pension and other employee benefit plan in which the District participates, fluctuated in fair value, consistent with the fluctuation in financial markets. However, because the values of the individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

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

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 Seven Years *

| Traditional Plan | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's Proportion of the Net Pension Liability | 0.358148% | 0.354457% | 0.362813% | 0.341986% | 0.336154% | 0.336024% | 0.336024% |
| District's Proportionate Share of the Net Pension Liability | \$ 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 | \$ 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 | 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 | 74.70% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | n/a |
| Combined Plan | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| District's Proportion of the Net Pension Asset | 0.584628% | 0.634615% | 0.684592% | 0.583779% | 0.531290% | 0.535543% | 0.535543% |
| District's Proportionate Share of the Net Pension Asset | \$ 1,219,092 | \$ 709,645 | \$ 931,953 | \$ 324,913 | \$ 258,537 | \$ 206,196 | \$ 56,194 |
| District's Covered Payroll | \$ 2,493,536 | \$ 2,733,250 | \$ 3,011,061 | \$ 2,189,365 | \$ 2,275,217 | \$ 2,233,128 | \$ 1,939,145 |
| District's Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll | 48.89% | 25.96% | 30.95% | 14.84% | 11.36% | 9.23% | 2.90% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 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
Ohio Public Employees Retirement System**

For the Last Four Years *

| | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|
| District's Proportion of the Net OPEB Liability | 0.382083% | 0.383170% | 0.390720% | 0.364608% |
| District's Proportionate Share of the Net OPEB Liability | \$ 52,775,589 | \$ 49,956,323 | \$ 42,429,314 | \$ 36,826,620 |
| District's Covered Payroll | \$ 55,780,664 | \$ 55,780,664 | \$ 60,288,529 | \$ 46,660,550 |
| District's Proportion of the Net OPEB Liability as a Percentage of Its Covered Payroll | 94.61% | 89.56% | 70.38% | 78.92% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.33% | 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contributions | \$ 7,048,188 | \$ 6,792,330 | \$ 6,728,485 | \$ 6,800,173 | \$ 4,904,484 |
| Contributions in Relation to Contractually Required Contributions | (7,048,188) | (6,792,330) | (6,728,485) | (6,800,173) | (4,904,484) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 50,344,200 | \$ 48,516,643 | \$ 48,060,622 | \$ 52,309,025 | \$ 40,870,702 |
| Contribution as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 13.00% | 12.00% |
| | | | | | |
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Contractually Required Contributions | \$ 5,932,293 | \$ 5,823,387 | \$ 5,478,156 | \$ 5,244,880 | \$ 4,944,124 |
| Contributions in Relation to Contractually Required Contributions | (5,932,293) | (5,823,387) | (5,478,156) | (5,244,880) | (4,944,124) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 49,435,775 | \$ 48,528,228 | \$ 42,139,663 | \$ 52,448,799 | \$ 49,441,242 |
| Contribution as a Percentage of Covered Payroll | 12.00% | 12.00% | 13.00% | 10.00% | 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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions | \$ 349,095 | \$ 352,040 | \$ 382,655 | \$ 391,438 | \$ 262,724 |
| Contributions in Relation to Contractually Required Contributions | (349,095) | (352,040) | (382,655) | (391,438) | (262,724) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,493,536 | \$ 2,514,571 | \$ 2,733,250 | \$ 3,011,061 | \$ 2,189,365 |
| Contribution as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 13.00% | 12.00% |
| | | | | | |
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Contractually Required Contributions | \$ 273,026 | \$ 267,975 | \$ 252,089 | \$ 241,354 | \$ 227,514 |
| Contributions in Relation to Contractually Required Contributions | (273,026) | (267,975) | (252,089) | (241,354) | (227,514) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,275,217 | \$ 2,233,128 | \$ 1,939,145 | \$ 2,413,542 | \$ 2,275,143 |
| Contribution as a Percentage of Covered Payroll | 12.00% | 12.00% | 13.00% | 10.00% | 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 Five Years *

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Contractually Required OPEB Contributions | \$ 200,641 | \$ 184,030 | \$ 109,330 | \$ 602,885 | \$ 933,211 |
| Contributions in Relation to Contractually Required Contributions | (200,641) | (184,030) | (109,330) | (602,885) | (933,211) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 57,724,594 | \$ 57,316,385 | \$ 55,780,664 | \$ 60,288,529 | \$ 46,660,550 |
| OPEB Contribution as a Percentage of Covered Payroll | 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, 2020 and 2019

Note 1: Net Pension Liability

Changes in Assumptions – OPERS Traditional and Combined Plans, Net Pension Liability

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 – 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 |

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 |

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information (continued)

For the Years Ended December 31, 2020 and 2019

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS Traditional and Combined Plans, Net Pension Liability (continued)

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 |

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 though 2018 then 2.8% Simple |

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5% to 7.2%. Also 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%.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information (continued)

For the Years Ended December 31, 2020 and 2019

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS Traditional and Combined Plans, Net Pension Liability (continued)

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 (continued)

For the Years Ended December 31, 2020 and 2019

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS OPEB

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability - 2020

| | |
|--|---------------------------------------|
| 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 |
| Actuarial Assumptions: | |
| Single Discount Rate | 3.16% |
| Investment Rate of Return | 6.00% |
| Municipal Bond Rate | 2.75% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% |
| Health Care Cost Trend Rate | 10.5% initial, 3.50% ultimate in 2030 |

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

| | |
|--|---------------------------------------|
| Valuation Date | December 31, 2017 |
| Rolled-Forward Measurement Date | December 31, 2018 |
| Experience Study | 5-year period Ended December 31, 2015 |
| Actuarial Cost Method | Individual Entry Age |
| Actuarial Assumptions: | |
| Single Discount Rate | 3.96% |
| Investment Rate of Return | 6.00% |
| Municipal Bond Rate | 3.71% |
| Projected Salary Increases, including 3.25% inflation | 3.25 to 10.75% |
| Health Care Cost Trend Rate | 10.5% initial, 3.25% ultimate in 2029 |

For 2020 a single discount rate of 3.16% was used to measure the OPEB liability. 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, 3.50% ultimate in 2030.

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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, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| Revenues: | | | | |
| User Charges: | | | | |
| Billed | \$ 393,649,579 | \$ 393,649,579 | \$ 394,835,213 | \$ 1,185,634 |
| Other Revenue | 733,602 | 733,602 | 1,934,219 | 1,200,617 |
| Total Revenues | 394,383,181 | 394,383,181 | 396,769,432 | 2,386,251 |
| Expenses: | | | | |
| Salary and Wages | 62,301,688 | 62,484,190 | 57,173,996 | 5,310,194 |
| Fringe Benefits | 25,407,742 | 25,407,742 | 20,327,562 | 5,080,180 |
| Power | 10,485,100 | 10,689,452 | 9,432,548 | 1,256,904 |
| Materials and Supplies | 8,884,188 | 9,034,994 | 8,722,319 | 312,675 |
| Collection Fees | 9,180,900 | 8,830,230 | 8,804,820 | 25,410 |
| Gas | 1,794,795 | 1,794,795 | 1,147,356 | 647,439 |
| Chemicals | 3,568,311 | 3,417,505 | 3,047,424 | 370,081 |
| Repairs and Maintenance | 5,314,976 | 5,110,624 | 3,010,519 | 2,100,105 |
| Solids Handling | 1,652,640 | 1,652,640 | 1,568,460 | 84,180 |
| Water | 1,177,550 | 1,177,550 | 884,816 | 292,734 |
| Professional Services | 23,351,048 | 24,124,671 | 20,571,283 | 3,553,388 |
| Insurance | 1,350,000 | 1,350,000 | 989,625 | 360,375 |
| Judgements and Awards | 200,000 | 550,670 | 374,808 | 175,862 |
| Other Operating Expenses | 26,128,590 | 25,172,464 | 12,310,637 | 12,861,827 |
| Capitalized Construction Costs | (6,500,000) | (6,500,000) | (6,311,545) | (188,455) |
| Depreciation | 82,077,695 | 82,077,695 | 81,614,727 | 462,968 |
| Impact of GASB 68 and 75 | - | - | 11,707,012 | (11,707,012) |
| Total Operating Expenses | 256,375,223 | 256,375,222 | 235,376,367 | 20,998,855 |
| Excess of Revenues Over Operating Expenses | \$ 138,007,958 | \$ 138,007,959 | \$ 161,393,065 | \$ 23,385,106 |

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, 2020

Reconciliation to Change in Net Position:

| | | |
|--|----|-----------------------------|
| Excess of Operating Revenues Over Operating Expenses | \$ | 161,393,065 |
| Interest Revenue | | 4,468,117 |
| Increase in Fair Value of Investments, Net | | 996,621 |
| Green Infrastructure Program | | (1,286,128) |
| Member Infrastructure Community Program | | (4,184,855) |
| Stormwater Community Cost-Share Disbursement | | (7,320,593) |
| Loss on Disposals of Equipment | | (520,567) |
| Interest Expense on Long-Term Debt | | (55,891,482) |
| Federal Subsidy Revenue | | <u>1,538,762</u> |
| Change in Net Position | | 99,192,940 |
| Net Position at Beginning of Year - Restated, See Note 3 | | <u>1,591,851,405</u> |
| Net Position at End of Year | \$ | <u><u>1,691,044,345</u></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, 2020 and 2019

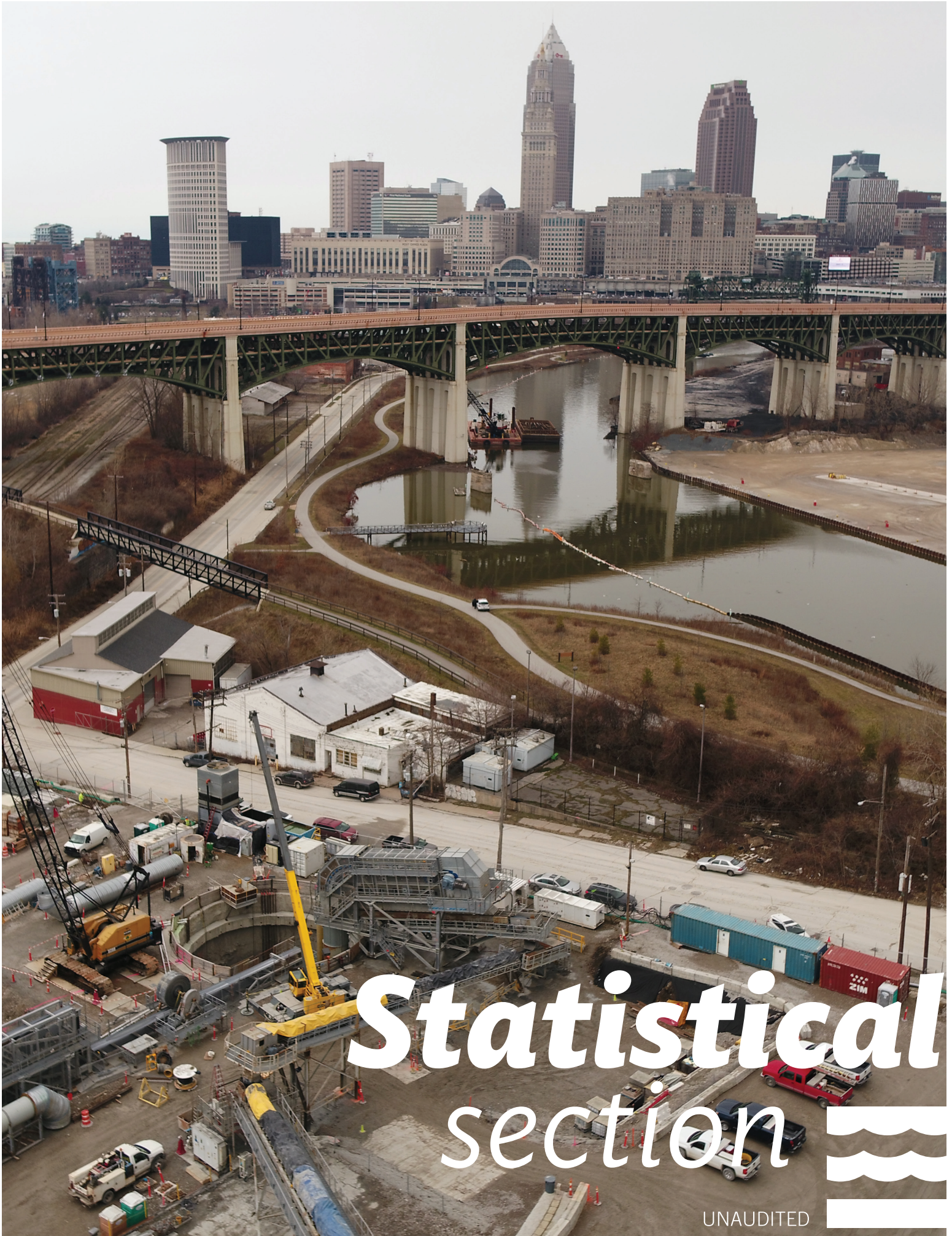
Note 1: Summary of Significant Accounting Policies

Budgetary Basis of Accounting

The 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 District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of each year. Until the final budgets are adopted, the Board of Trustees may adopt a temporary appropriation for the first three months of the year. The Board of Trustees must also approve all amendments to the budget. The level of budgetary control for the 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 of Trustees 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 of Trustees. Approval of the budgets by the Board of Trustees 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 District's Comprehensive Annual 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> | 88 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant revenue source, user charges.</i> | 92 |
| 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> | 100 |
| 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> | 102 |
| 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> | 104 |
| 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> | 106 |

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

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

| | <u>2020</u> | <u>2019 (4)</u> | <u>2018</u> | <u>2017 (3)</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Net Investment in Capital Assets | \$ 1,233,425,735 | \$ 1,231,162,062 | \$ 1,196,966,572 | \$ 1,107,066,113 |
| Restricted - Stormwater Community Cost-Share | 30,484,566 | 25,911,002 | 24,045,802 | 17,185,754 |
| Unrestricted | <u>427,134,044</u> | <u>334,778,341</u> | <u>308,553,975</u> | <u>328,892,633</u> |
| Total | <u>\$ 1,691,044,345</u> | <u>\$ 1,591,851,405</u> | <u>\$ 1,529,566,349</u> | <u>\$ 1,453,144,500</u> |

Notes:

- (1) 2012, 2011 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: District accounting records.

| <u>2016</u> | <u>2015</u> | <u>2014 (2)</u> | <u>2013</u> | <u>2012 (1)</u> | <u>2011 (1)</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 990,664,879 | \$ 786,650,331 | \$ 1,018,734,360 | \$ 1,067,650,046 | \$ 1,065,405,939 | \$ 1,055,247,281 |
| 8,203,008 | - | - | - | - | - |
| <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>238,611,550</u> |
| <u>\$ 1,426,355,542</u> | <u>\$ 1,357,906,185</u> | <u>\$ 1,303,403,814</u> | <u>\$ 1,316,327,734</u> | <u>\$ 1,301,058,164</u> | <u>\$ 1,293,858,831</u> |

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Operating Revenues, Net - Sewage</u> | | | | | |
| Billing Agents | \$ 320,790,742 | \$ 310,986,925 | \$ 301,523,258 | \$ 273,964,177 | \$ 266,840,893 |
| Direct Billed | 29,349,538 | 27,610,406 | 23,142,825 | 22,848,020 | 17,970,171 |
| Other (1) | 1,934,392 | 1,615,509 | 1,392,876 | 2,567,476 | 1,972,379 |
| Total Operating Revenues, Net - Sewage | <u>352,074,672</u> | <u>340,212,840</u> | <u>326,058,959</u> | <u>299,379,673</u> | <u>286,783,443</u> |
| <u>Operating Revenues, Net - Stormwater</u> | | | | | |
| Billing Agents | 43,886,592 | 43,907,185 | 43,029,033 | 43,734,464 | 25,487,614 |
| Direct Billed | 808,341 | 927,462 | 935,644 | 766,301 | 765,778 |
| Other | (173) | - | - | - | - |
| Total Operating Revenues, Net - Stormwater | <u>44,694,760</u> | <u>44,834,647</u> | <u>43,964,677</u> | <u>44,500,765</u> | <u>26,253,392</u> |
| <u>Operating Revenues, Net - District Total</u> | <u>396,769,432</u> | <u>385,047,487</u> | <u>370,023,636</u> | <u>343,880,438</u> | <u>313,036,835</u> |
| <u>Operating Expenses - Sewage</u> | | | | | |
| Salaries and Wages | 53,664,151 | 53,823,645 | 52,726,122 | 52,144,371 | 49,878,369 |
| Fringe Benefits | 31,440,808 | 40,663,563 | 31,535,641 | 29,221,894 | 22,495,670 |
| Utilities | 12,234,202 | 12,248,936 | 14,729,821 | 13,601,569 | 14,187,719 |
| Professional and Contractual Services | 25,437,661 | 25,952,405 | 32,255,207 | 32,211,644 | 29,842,682 |
| Other (1) | 9,223,437 | 9,846,136 | 5,708,698 | 4,575,795 | 2,587,719 |
| Stormwater Indirect Cost Allocation | (4,096,133) | (4,186,298) | (3,974,441) | (3,755,359) | (3,612,532) |
| Depreciation (7) | 81,614,727 | 80,596,851 | 71,733,140 | 71,496,416 | 66,605,940 |
| Total Operating Expenses - Sewage | <u>209,518,853</u> | <u>218,945,238</u> | <u>204,714,188</u> | <u>199,496,330</u> | <u>181,985,567</u> |
| <u>Operating Expenses - Stormwater</u> | | | | | |
| Salaries and Wages | 3,509,846 | 3,257,406 | 2,606,546 | 1,353,653 | 590,438 |
| Fringe Benefits | 593,766 | 526,322 | 382,135 | 196,233 | 82,758 |
| Professional and Contractual Services | 17,556,797 | 34,238,683 | 23,472,515 | 19,503,698 | 4,517,336 |
| Other (1) | 100,972 | 109,590 | 756,779 | 121,598 | 50,417 |
| Stormwater Indirect Cost Allocation (6) | 4,096,133 | 4,186,298 | 3,974,441 | 3,755,359 | 3,612,532 |
| Total Operating Expenses - Stormwater | <u>25,857,514</u> | <u>42,318,299</u> | <u>31,192,416</u> | <u>24,930,541</u> | <u>8,853,481</u> |
| <u>Total Operating Expenses - District Total</u> | <u>235,376,367</u> | <u>261,263,537</u> | <u>235,906,604</u> | <u>224,426,871</u> | <u>190,839,048</u> |
| Operating Income | 161,393,065 | 123,783,950 | 134,117,032 | 119,453,567 | 122,197,787 |
| <u>Non-Operating Revenues (Expenses), Net</u> | | | | | |
| Interest Revenue | 4,468,117 | 7,843,503 | 5,573,074 | 3,833,084 | 2,901,760 |
| Increase (Decrease) in Fair Value of Investments, Net | 996,621 | 604,848 | 378,689 | (518,063) | 494,661 |
| Non-Operating Grant Revenue | - | - | 521,873 | 206,905 | 223,125 |
| Non-Operating Grant Expenses | - | (177,781) | (4,534) | (97,733) | (187,668) |
| Proceeds on Insurance Claims (2) | - | - | - | 7,112 | 64,597 |
| Green Infrastructure Program (4) | (1,286,128) | (2,102,179) | (1,361,640) | (1,318,460) | - |
| Member Community Infrastructure Program (4) | (4,184,855) | (2,331,313) | (4,911,520) | (3,118,863) | - |
| Stormwater Community Cost Share Disbursement (3) | (7,320,593) | (8,511,830) | (4,218,308) | (2,626,418) | (72,190) |
| Loss on Disposals of Equipment | (520,567) | (649,659) | (385,744) | (301,070) | (3,319,289) |
| Loss on Extraordinary Events | - | - | - | - | (1,614) |
| Interest Expense on Long-Term Debt | (55,891,482) | (60,975,839) | (59,784,224) | (58,980,224) | (60,317,727) |
| Federal Subsidy Revenue | 1,538,762 | 4,801,356 | 6,497,151 | 6,472,856 | 6,465,915 |
| Total Non-Operating Revenues (Expenses), Net | <u>(62,200,125)</u> | <u>(61,498,894)</u> | <u>(57,695,183)</u> | <u>(56,440,874)</u> | <u>(53,748,430)</u> |
| Capital Contributions | - | - | - | - | - |
| Change in Net Position | <u>\$ 99,192,940</u> | <u>\$ 62,285,056</u> | <u>\$ 76,421,849</u> | <u>\$ 63,012,693</u> | <u>\$ 68,449,357</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 Program and Member Community Infrastructure Program 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 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: District accounting records.

| 2015 | 2014 | 2013 | 2012 (5) | 2011 |
|----------------------|----------------------|----------------------|---------------------|---------------------|
| \$ 237,570,432 | \$ 220,621,174 | \$ 192,601,300 | \$ 171,056,663 | \$ 155,342,800 |
| 16,684,685 | 17,685,946 | 16,227,994 | 14,832,256 | 16,275,002 |
| 5,428,088 | 878,279 | 960,830 | 1,352,457 | 1,104,565 |
| <u>259,683,205</u> | <u>239,185,399</u> | <u>209,790,124</u> | <u>187,241,376</u> | <u>172,722,367</u> |
| 20,424,261 | - | - | - | - |
| 322,691 | - | - | - | - |
| - | - | - | - | - |
| <u>20,746,952</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>280,430,157</u> | <u>239,185,399</u> | <u>209,790,124</u> | <u>187,241,376</u> | <u>172,722,367</u> |
| 47,918,213 | 46,226,508 | 43,889,545 | 41,255,137 | 39,190,544 |
| 14,563,011 | 14,610,845 | 14,203,943 | 13,657,026 | 12,939,019 |
| 16,284,328 | 15,267,723 | 14,898,125 | 13,979,812 | 15,511,558 |
| 21,988,568 | 22,286,370 | 24,747,308 | 21,827,170 | 18,766,341 |
| 3,725,796 | 3,807,036 | 2,155,767 | 3,387,828 | 3,907,002 |
| - | - | - | - | - |
| 62,825,528 | 57,171,918 | 50,179,846 | 51,187,381 | 47,271,807 |
| <u>167,305,444</u> | <u>159,370,400</u> | <u>150,074,534</u> | <u>145,294,354</u> | <u>137,586,271</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>167,305,444</u> | <u>159,370,400</u> | <u>150,074,534</u> | <u>145,294,354</u> | <u>137,586,271</u> |
| 113,124,713 | 79,814,999 | 59,715,590 | 41,947,022 | 35,136,096 |
| 2,526,049 | 993,560 | 1,879,311 | 2,827,947 | 3,825,074 |
| (1,173,193) | 295,828 | (417,004) | (888,925) | (150,665) |
| 1,383,547 | 1,304,233 | 1,383,517 | 758,941 | 676,833 |
| (707,409) | (4,259,001) | (1,520,478) | (758,941) | (676,833) |
| - | - | - | 792,245 | 621,938 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| (4,323,785) | (3,913,066) | (340,588) | (622,504) | (1,020,704) |
| (180,025) | - | - | - | (1,188,489) |
| (62,616,911) | (59,922,594) | (51,757,865) | (44,717,920) | (43,019,109) |
| 6,469,385 | 6,438,149 | 6,327,087 | 6,941,401 | 6,912,478 |
| <u>(58,622,342)</u> | <u>(59,062,891)</u> | <u>(44,446,020)</u> | <u>(35,667,756)</u> | <u>(34,019,477)</u> |
| - | - | - | 920,067 | 6,161,822 |
| <u>\$ 54,502,371</u> | <u>\$ 20,752,108</u> | <u>\$ 15,269,570</u> | <u>\$ 7,199,333</u> | <u>\$ 7,278,441</u> |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Operating Revenues, Net</u> | | | | |
| Sewage and Stormwater Service Fees | | | | |
| City of Cleveland Billing Agent | \$ 357,782,897 | \$ 348,360,168 | \$ 338,466,864 | \$ 311,616,663 |
| Other Billing Agents | 6,894,437 | 6,533,942 | 6,085,427 | 6,081,978 |
| Other Sewage and Stormwater Service Fees | 30,157,879 | 28,537,868 | 24,078,469 | 23,614,321 |
| Other Operating Revenue | <u>1,934,219</u> | <u>1,615,509</u> | <u>1,392,876</u> | <u>2,567,476</u> |
| Total Operating Revenues, Net | 396,769,432 | 385,047,487 | 370,023,636 | 343,880,438 |
| <u>Non-Operating Revenues, Net</u> | | | | |
| Interest Revenue | 4,468,117 | 7,843,503 | 5,573,074 | 3,833,084 |
| Increase (Decrease) in Fair Value of Investments, Net | 996,621 | 604,848 | 378,689 | (518,063) |
| Proceeds from Insurance Claims (1) | - | - | - | 7,112 |
| Federal Subsidy Revenue | 1,538,762 | 4,801,356 | 6,497,151 | 6,472,856 |
| Non-Operating Grant Revenue | <u>-</u> | <u>-</u> | <u>521,873</u> | <u>206,905</u> |
| Total Non-Operating Revenues, Net | 7,003,500 | 13,249,707 | 12,970,787 | 10,001,894 |
| Capital Contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>\$ 403,772,932</u> | <u>\$ 398,297,194</u> | <u>\$ 382,994,423</u> | <u>\$ 353,882,332</u> |

(1) Proceeds from Southerly Flood event.

Source: District accounting records.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| \$ 275,275,862 | \$ 242,170,836 | \$ 206,720,248 | \$ 179,391,021 | \$ 159,114,027 | \$ 144,326,900 |
| 17,052,645 | 15,823,857 | 13,900,926 | 13,210,279 | 11,942,636 | 11,015,900 |
| 18,735,949 | 17,007,376 | 17,685,946 | 16,227,994 | 14,832,256 | 16,275,002 |
| <u>1,972,379</u> | <u>5,428,088</u> | <u>878,279</u> | <u>960,830</u> | <u>1,352,457</u> | <u>1,104,565</u> |
| 313,036,835 | 280,430,157 | 239,185,399 | 209,790,124 | 187,241,376 | 172,722,367 |
| 2,901,760 | 2,526,049 | 993,560 | 1,879,311 | 2,827,947 | 3,825,074 |
| 494,661 | (1,173,193) | 295,828 | (417,004) | (888,925) | (150,665) |
| 64,597 | - | - | - | 792,245 | 621,938 |
| 6,465,915 | 6,469,385 | 6,438,149 | 6,327,087 | 6,941,401 | 6,912,478 |
| <u>223,125</u> | <u>1,383,547</u> | <u>1,304,233</u> | <u>1,383,517</u> | <u>758,941</u> | <u>676,833</u> |
| 10,150,058 | 9,205,788 | 9,031,770 | 9,172,911 | 10,431,609 | 11,885,658 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>920,067</u> | <u>6,161,822</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> | <u><u>\$ 190,769,847</u></u> |

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

| | <u>2020</u> | <u>2019 (1)</u> | <u>2018</u> | <u>2017</u> |
|---------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Salaries and Wages | \$ 57,173,997 | \$ 57,081,051 | \$ 55,332,668 | \$ 53,498,024 |
| Fringe Benefits | 32,034,574 | 41,189,885 | 31,917,776 | 29,418,128 |
| Power | 9,432,548 | 9,008,321 | 11,216,797 | 10,052,193 |
| Materials and Supplies | 8,722,318 | 8,602,651 | 7,816,290 | 7,088,671 |
| Collection Fees | 8,804,820 | 8,679,625 | 8,275,350 | 8,506,812 |
| Gas | 1,147,356 | 1,285,320 | 1,689,079 | 1,326,027 |
| Chemicals | 3,047,424 | 3,131,901 | 2,617,257 | 2,062,888 |
| Repairs and Maintenance | 3,010,519 | 3,244,813 | 2,837,255 | 3,172,685 |
| Solids Handling | 1,568,460 | 1,450,778 | 1,459,652 | 1,546,734 |
| Water | 884,816 | 1,065,318 | 1,007,341 | 1,159,576 |
| Professional Services | 20,571,283 | 27,648,097 | 29,405,301 | 23,678,268 |
| Insurance | 989,625 | 959,418 | 882,305 | 762,390 |
| All Other Expenses | 12,685,445 | 23,097,906 | 17,875,618 | 18,981,336 |
| Capitalized Construction Costs | (6,311,545) | (5,778,398) | (8,159,225) | (8,323,277) |
| Depreciation | 81,614,727 | 80,596,851 | 71,733,140 | 71,496,416 |
| Total Operating Expenses | <u>\$ 235,376,367</u> | <u>\$ 261,263,537</u> | <u>\$ 235,906,604</u> | <u>\$ 224,426,871</u> |

(1) Restated to comply with GASB 83.

Source : District accounting records.

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|----|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 50,468,807 | \$ 47,918,213 | \$ 46,226,508 | \$ 43,889,545 | \$ 41,255,137 | \$ 39,190,544 |
| | 22,578,428 | 14,563,011 | 14,610,845 | 14,203,943 | 13,657,026 | 12,939,019 |
| | 10,652,319 | 12,072,308 | 10,247,703 | 9,400,085 | 8,068,363 | 9,258,484 |
| | 6,820,729 | 5,676,639 | 4,882,158 | 4,075,901 | 5,056,453 | 4,564,897 |
| | 8,000,246 | 7,870,531 | 7,753,358 | 7,812,254 | 6,725,143 | 5,975,072 |
| | 1,314,239 | 1,818,054 | 2,710,438 | 3,318,117 | 3,825,221 | 4,254,679 |
| | 2,390,757 | 2,865,628 | 3,152,662 | 1,931,902 | 1,641,550 | 1,329,150 |
| | 2,290,027 | 3,154,329 | 3,310,824 | 2,762,386 | 2,078,341 | 2,440,310 |
| | 1,763,205 | 1,170,548 | 2,315,896 | 1,446,497 | 1,825,201 | 847,246 |
| | 1,069,671 | 977,437 | 1,096,667 | 1,260,155 | 1,191,439 | 1,147,687 |
| | 16,550,378 | 6,004,935 | 6,468,485 | 10,553,455 | 8,917,796 | 8,407,259 |
| | 764,709 | 778,421 | 858,861 | 821,442 | 779,453 | 1,227,736 |
| | 9,627,486 | 8,353,217 | 7,940,886 | 6,774,159 | 6,592,367 | 4,506,935 |
| | (10,057,893) | (8,743,355) | (9,376,809) | (8,355,153) | (7,506,517) | (5,774,554) |
| | 66,605,940 | 62,825,528 | 57,171,918 | 50,179,846 | 51,187,381 | 47,271,807 |
| | <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> | <u>\$ 137,586,271</u> |

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMMUNITIES SERVED BY THE DISTRICT AND
ESTIMATED POPULATION SERVED
DECEMBER 31, 2020**

| Municipality | Estimated Service Population ⁽¹⁾ | Municipality | Estimated Service Population ⁽¹⁾ |
|---|--|----------------------------|--|
| SUBDISTRICT 1 | | SUBDISTRICT 2 | |
| Cleveland City | 376,498 | Middleburg Heights City | 15,559 |
| SUBDISTRICT 2 | | Moreland Hills Village | 3,270 |
| Bath Township | 60 | Newburgh Heights Village | 2,018 |
| Beachwood City | 13,134 | North Randall Village | 1,047 |
| Bedford City | - ⁽³⁾ | North Royalton City | 4,054 ⁽²⁾ |
| Bedford Heights City | 18 ⁽³⁾ | Northfield Center Township | 5,597 |
| Berea City | 18,763 | Northfield Village | 3,529 |
| Boston Heights Village | 784 ⁽²⁾ | Oakwood Village | 1,639 ⁽²⁾ |
| Bratenahl Village | 1,274 | Olmsted Falls City | 8,924 ⁽²⁾ |
| Brecksville City | 13,326 ⁽²⁾ | Olmsted Township | 8,186 ⁽²⁾ |
| Broadview Heights City | 14,847 ⁽²⁾ | Orange Village | 974 ⁽²⁾ |
| Brook Park City | 18,534 | Parma City | 78,945 |
| Brooklyn City | 10,796 | Parma Heights City | 20,273 |
| Brooklyn Heights Village | 1,570 | Pepper Pike City | 6,222 ⁽²⁾ |
| Cleveland Heights City | 45,845 | Richfield Township | 959 ⁽²⁾ |
| Columbia Township | 2,429 ⁽²⁾ | Richfield Village | 3,782 ⁽²⁾ |
| Cuyahoga Heights Village | 706 | Richmond Heights City | 4,332 ⁽²⁾ |
| East Cleveland City | 16,155 | Sagamore Hills Township | 10,953 |
| Euclid City | 366 ⁽²⁾ | Seven Hills City | 11,584 |
| Garfield Heights City | 28,093 | Shaker Heights City | 28,079 |
| Gates Mills Village | 438 ⁽²⁾ | Solon City | 139 ⁽²⁾ |
| Glenwillow Village | 3 ⁽²⁾ | South Euclid City | 21,199 |
| Highland Heights City | 8,115 | Strongsville City | 25,615 ⁽²⁾ |
| Highland Hills Village | 1,123 | Twinsburg City | - ⁽²⁾ |
| Hudson City | 8,902 ⁽²⁾ | Twinsburg Township | 545 ⁽²⁾ |
| Independence City | 7,231 | University Heights City | 13,776 |
| Lakewood City | 88 ⁽³⁾ | Valley View Village | 2,011 |
| Linndale Village | 164 | Walton Hills Village | 2,156 |
| Lyndhurst City | 13,513 | Warrensville Heights City | 13,109 |
| Macedonia City | 11,652 | Willoughby Hills City | - ⁽³⁾ |
| Maple Heights City | 22,336 | | |
| Mayfield Heights City | 18,589 | | |
| Mayfield Village | 3,259 | | |
| | | Total Subdistrict 2 | 580,589 |
| Total Estimated Service Population | | | 957,087 |

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

(2) Estimated population for the portion of the municipality within the service area of the 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, 2020
and NINE YEARS PRIOR**

| | 2020 | | | |
|--|------------------------|------------------|------|---------------------------------------|
| | CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
| SUBDISTRICT 1 | | | | |
| CLEVELAND WATER PLANTS | 49,194.5 | \$ 9,818,287 | 2 | 2.5% |
| CUYAHOGA METROPOLITAN HOUSING AGENCY (2) | 88,909.2 | 8,955,433 | 3 | 2.8% |
| CLEVELAND CLINIC (2) | 64,932.6 | 6,523,857 | 4 | 1.9% |
| CUYAHOGA COUNTY JUSTICE CENTER (2) | 19,224.1 | 1,907,742 | 6 | 0.5% |
| UNIVERSITY HOSPITALS (2) | 17,665.3 | 1,754,226 | 7 | 0.5% |
| CASE WESTERN RESERVE UNIVERSITY | 17,586.5 | 1,628,209 | 8 | 0.5% |
| MICELI DAIRY PRODUCTS | 6,028.0 | 1,507,396 | 9 | 0.4% |
| METROHEALTH MEDICAL CENTERS | 14,445.8 | 1,448,459 | 10 | 0.4% |
| ARCELOR MITTAL STEEL | 7,311.0 | 1,065,652 | 13 | 0.3% |
| AE OWNER, LLC | 8,231.7 | 823,754 | 15 | 0.2% |
| MEDICAL CENTER CO | 8,059.0 | 805,286 | 16 | 0.2% |
| OBERLIN FARMS DAIRYMENS | 4,784.3 | 740,955 | 17 | 0.2% |
| VETERANS ADMINISTRATION HOSPITALS (2) | 7,240.0 | 725,578 | 18 | 0.2% |
| PPG INDUSTRIES | 6,926.6 | 683,918 | 20 | 0.2% |
| CLEVELAND STATE UNIVERSITY (2) | 5,887.7 | 593,254 | 21 | 0.2% |
| DAY GLO | 5,210.9 | 521,748 | 23 | 0.1% |
| CLEVELAND BOARD OF EDUCATION | - | - | - | - |
| FERRO CORP (2) | - | - | - | - |
| INLAND WATERS OF OHIO | - | - | - | - |
| CLEVELAND METROPARKS ZOO | - | - | - | - |
| COLUMBUS ROAD REALTY | - | - | - | - |
| Total Subdistrict 1 | 331,637.2 | \$ 39,503,754 | | 11.1% |
| SUBDISTRICT 2 | | | | |
| SUMMIT COUNTY (3) | 118,293.7 | 13,132,929 | 1 | 3.7% |
| ALUMINUN CORPORATION OF AMERICA (ALCOA) | 23,323.8 | 2,343,350 | 5 | 0.7% |
| NASA | 13,099.9 | 1,316,585 | 11 | 0.4% |
| THE K&D GROUP | 11,823.0 | 1,183,584 | 12 | 0.3% |
| FOREST CITY MANAGEMENT (2) | 8,295.6 | 835,710 | 14 | 0.2% |
| FORD MOTOR CORPORATION | 6,676.4 | 686,722 | 19 | 0.2% |
| GRANDA APTS | 5,867.3 | 584,406 | 22 | 0.2% |
| CHARTER STEEL | 3,969.6 | 507,716 | 24 | 0.1% |
| POLYMER ADDITIVES, INC | 4,430.5 | 493,971 | 25 | 0.1% |
| SOUTHWEST HOSPITAL | 4,873.4 | 491,610 | 26 | 0.1% |
| ZEHMAN & WOLFE MANAGEMENT | - | - | - | - |
| Total Subdistrict 2 | 200,653.2 | \$ 21,576,583 | | 6.0% |
| Grand Total | 532,290.4 | \$ 61,080,337 | | 17.1% |

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

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

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

Overall the 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: 2020 District accounting records and City of Cleveland Division of Water billing records from OAC, provided by District Billing Department.

2011

| CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
|------------------------|----------------------|------|---------------------------------------|
| 28,710.7 | \$ 1,818,143 | 2 | 1.1% |
| 79,576.2 | \$3,542,165 | 1 | 2.1% |
| 33,143.3 | 1,489,684 | 4 | 0.9% |
| 19,427.6 | 865,793 | 6 | 0.5% |
| - | - | - | - |
| 20,003.1 | 896,273 | 5 | 0.5% |
| - | - | - | - |
| 4,768.70 | 269,854.09 | 18 | 0.2% |
| 13,686.5 | 722,491 | 8 | 0.4% |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 6,275.40 | 290,169.21 | 16 | 0.2% |
| - | - | - | - |
| 5,842.10 | 256,675.98 | 19 | 0.1% |
| - | - | - | - |
| 13,027.6 | 575,051 | 10 | 0.3% |
| 9,690.7 | 440,914 | 12 | 0.3% |
| 4,748.6 | 356,282 | 15 | 0.2% |
| 5,058.9 | 289,774 | 17 | 0.2% |
| 5,404.5 | 244,647 | 20 | 0.1% |
| <u>249,363.9</u> | <u>\$ 12,057,916</u> | | <u>7.1%</u> |
| 8,286.5 | 392,265 | 14 | 0.2% |
| 35,005.1 | 1,673,308 | 3 | 1.0% |
| 15,775.3 | 592,951 | 9 | 0.3% |
| - | - | - | - |
| 10,505.9 | 494,184 | 11 | 0.3% |
| 15,397.6 | 736,903 | 7 | 0.4% |
| - | - | - | - |
| 8,304.90 | 395,327.00 | 13 | 0.2% |
| - | - | - | - |
| - | - | - | - |
| 4,937.1 | 229,162 | 21 | 0.1% |
| <u>98,212.4</u> | <u>\$ 4,514,100</u> | | <u>2.5%</u> |
| <u>347,576.3</u> | <u>\$ 16,572,016</u> | | <u>9.6%</u> |

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

| Debt by Type, In Thousands | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</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 | 336,930 | 336,930 |
| \$249,535 Series 2013 (D) (H) | 20,215 | 24,730 | 24,730 | 24,730 |
| \$350,570 Series 2014A (E) | 179,925 | 329,585 | 332,585 | 336,570 |
| \$68,460 Series 2014B (F) | - | 62,285 | 65,440 | 68,460 |
| \$25,015 Series 2016 (G) | 21,620 | 21,790 | 21,955 | 22,115 |
| \$241,595 Series 2017 (H) | 240,455 | 241,040 | 241,595 | 241,595 |
| \$245,005 Series 2019 (J) | 245,005 | 245,005 | - | - |
| \$244,895 Series 2020 (K) | 241,665 | - | - | - |
| Total Revenue Bond Issues | <u>1,034,095</u> | <u>1,009,645</u> | <u>1,023,235</u> | <u>1,030,400</u> |
| Bond Premium | 43,984 | 63,704 | 48,533 | 53,979 |
| Bond Discount | <u>(17)</u> | <u>(18)</u> | <u>(20)</u> | <u>(22)</u> |
| Total Revenue Bonds | 1,078,062 | 1,073,331 | 1,071,748 | 1,084,357 |
| Water Pollution Control Loans | <u>814,932</u> | <u>707,522</u> | <u>595,876</u> | <u>515,685</u> |
| Total All Debt | <u>\$ 1,892,994</u> | <u>\$ 1,780,853</u> | <u>\$ 1,667,624</u> | <u>\$ 1,600,042</u> |
| Number of Customer Accounts (1) | 324,323 | 323,865 | 323,664 | 323,877 |
| Outstanding Debt Per Customer Account | \$ 5,837 | \$ 5,499 | \$ 5,152 | \$ 4,940 |

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

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Historical Number of Customer Accounts (see pages 110 & 111) | 323,214 (1) | 322,758 (1) | 322,574 (1) | 322,799 |
| Less Master Meter Communities | (1) | (1) | (1) | (1) |
| Add estimated number of customers in Master Meter Communities | <u>1,110</u> | <u>1,108</u> | <u>1,091</u> | <u>1,079</u> |
| Number of Customer Accounts | <u>324,323</u> | <u>323,865</u> | <u>323,664</u> | <u>323,877</u> |

*The Master Meter Communities bill their customers separately.

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

Note: This schedule should be read in conjunction with Note 7 to the Audited Financial Statements for December 31, 2020.

(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.

Source: District accounting records.

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|-----|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| \$ | - | \$ 13,950 | \$ 20,445 | \$ 26,635 | \$ 32,525 | \$ 38,190 |
| | 7,520 | 34,110 | 36,865 | 112,430 | 114,930 | 117,330 |
| | 336,930 | 336,930 | 336,930 | 336,930 | 336,930 | 336,930 |
| | 249,535 | 249,535 | 249,535 | 249,535 | - | - |
| | 350,570 | 350,570 | 350,570 | - | - | - |
| | 68,460 | 68,460 | 68,460 | - | - | - |
| | 25,015 | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | 1,038,030 | 1,053,555 | 1,062,805 | 725,530 | 484,385 | 492,450 |
| | 59,638 | 66,503 | 74,014 | 2,299 | 2,646 | 3,046 |
| | (26) | - | - | - | - | - |
| | 1,097,642 | 1,120,058 | 1,136,819 | 727,829 | 487,031 | 495,496 |
| | 490,186 | 497,778 | 469,536 | 468,816 | 470,471 | 478,272 |
| | <u>\$ 1,587,828</u> | <u>\$ 1,617,836</u> | <u>\$ 1,606,355</u> | <u>\$ 1,196,645</u> | <u>\$ 957,502</u> | <u>\$ 973,768</u> |
| | 325,225 | 326,496 | 326,555 | 326,720 | 326,412 | 323,567 |
| \$ | 4,882 | \$ 4,955 | \$ 4,919 | \$ 3,663 | \$ 2,933 | \$ 3,009 |
| (I) | 311,441 | 312,837 | 313,021 | 313,284 | 313,294 | 309,820 |
| | (3) | (3) | (3) | (3) | (3) | (3) |
| | 13,787 | 13,662 | 13,537 | 13,439 | 13,121 | 13,750 |
| | <u>325,225</u> | <u>326,496</u> | <u>326,555</u> | <u>326,720</u> | <u>326,412</u> | <u>323,567</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) |
| 2011 | 1,269,820 | 9.9% | \$ 54,151,587 | \$ 44,088 |
| 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 | 6.8% | n/a | n/a |

(1) Sources are 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 District administrative records, County of Cuyahoga, Ohio Comprehensive Annual Financial Report and U.S. Department of Labor/Bureau of Labor Statistics.
Cuyahoga County is significantly the same as the District's service area.

(3) U.S. Department of Commerce, Bureau of Economic Analysis. Cuyahoga County is significantly the same as the 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, 2020 and 2011

| Employer Name (1) | 2020 | | | 2011 | | |
|---|---------------------------------|----------|---|---------------------------------|----------|---|
| | 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 | 36,398 | 1 | 5.44% | 34,000 | 1 | 5.14% |
| University Hospitals | 17,481 | 2 | 2.61% | 13,726 | 3 | 2.07% |
| Minute Men Cos. | 12,856 | 3 | 1.92% | - (3) | - | - |
| U.S. Office of Personnel Management | 12,335 | 4 | 1.84% | 15,095 | 2 | 2.28% |
| Progressive Corp. | 9,876 | 5 | 1.48% | 8,612 | 5 | 1.30% |
| Group Management Services Inc. | 9,202 | 6 | 1.37% | 7,242 | 10 | 1.09% |
| Cuyahoga County | 7,586 | 7 | 1.13% | 7,859 | 7 | 1.19% |
| City of Cleveland | 7,006 | 8 | 1.05% | - (3) | - | - |
| The MetroHealth System | 6,974 | 9 | 1.04% | - (3) | - | - |
| Cleveland Municipal School District | 6,100 | 10 | 0.91% | - (3) | - | - |
| Giant Eagle Inc. | - | - | - | 10,311 | 4 | 1.56% |
| Summa Health | - | - | - | 8,000 | 6 | 1.21% |
| State of Ohio | - | - | - | 7,792 | 8 | 1.18% |
| United States Postal Service | - | - | - | 7,362 | 9 | 1.11% |
| Total | 125,814 | | 18.79% | 119,999 | | 18.13% |
| Total Cuyahoga County Employment (2) | | | 669,407 | | | 662,000 |

* Full-Time Equivalent.

(1) Sources are Crain's Cleveland Business, December 2020 and December 2011.

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

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

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

Department of Labor, Bureau of Labor Statistics.

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

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| <u>TREATMENT PLANT FLOW</u> | | | | |
| Billions of gallons of sewage treated per plant: | | | | |
| Easterly | 31.5 | 32.3 | 34.2 | 29.9 |
| Southerly | 47.7 | 45.5 | 48.3 | 44.8 |
| Westerly | 8.3 | 9.3 | 9.8 | 8.6 |
| Total | <u>87.5</u> | <u>87.1</u> | <u>92.3</u> | <u>83.3</u> |
| Total sewage treated, in MCFs (1) | <u>11,701,894</u> | <u>11,640,856</u> | <u>12,339,572</u> | <u>11,136,364</u> |
| MCFs billed, total District (5) | <u>3,349,667</u> | <u>3,511,140</u> | <u>3,569,084</u> | <u>3,757,322</u> |
| <u>STAFFING LEVELS</u> | | | | |
| Number of sewer employees: | | | | |
| Plant Operations and Maintenance | 416 | 411 | 432 | 424 |
| Engineering | 43 | 47 | 63 | 64 |
| Finance | 46 | 46 | 45 | 43 |
| Human Resources | 25 | 21 | 29 | 30 |
| Information Technology | 34 | 33 | 35 | 36 |
| District Administration (2) | 18 | 37 | 17 | 14 |
| Legal | 11 | 10 | 11 | 10 |
| Administration and External Affairs | 30 | 38 | 38 | 41 |
| Watershed Programs (3) | 77 | 82 | 82 | 105 |
| Total | <u>700</u> | <u>725</u> | <u>752</u> | <u>767</u> |
| Number of stormwater employees: | | | | |
| Stormwater (4) | <u>40</u> | <u>39</u> | <u>36</u> | <u>26</u> |
| Total District employees | <u>740</u> | <u>764</u> | <u>788</u> | <u>793</u> |
| Budgeted employees, total District | <u>816</u> | <u>820</u> | <u>824</u> | <u>809</u> |

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

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

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

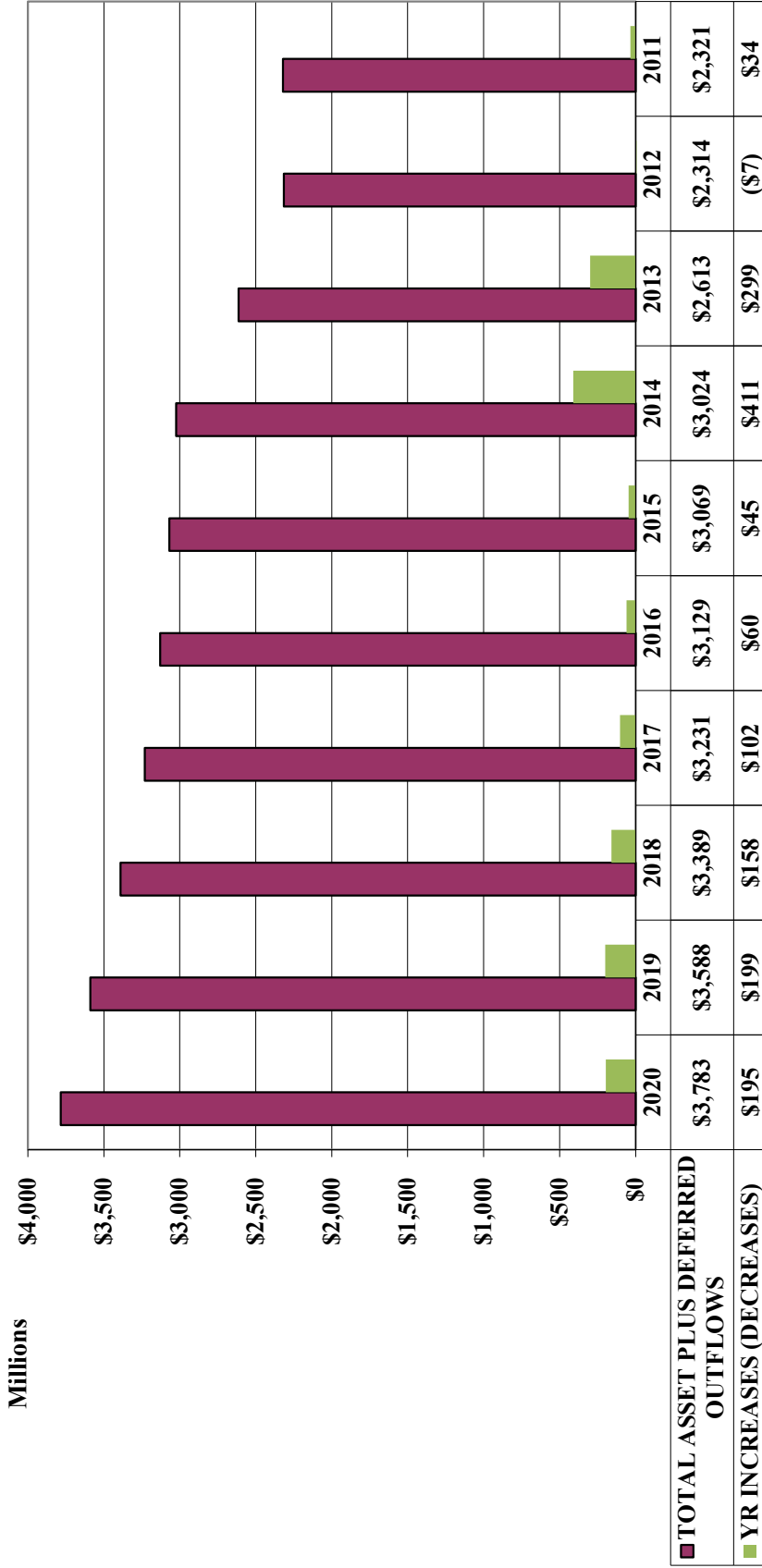
(4) The stormwater program began in 2016.

(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 District records.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 26.3 | 29.4 | 32.2 | 31.7 | 32.9 | 41.9 |
| 41.0 | 47.7 | 47.2 | 44.0 | 39.1 | 51.5 |
| 9.0 | 9.7 | 10.3 | 9.9 | 9.9 | 12.6 |
| <u>76.3</u> | <u>86.8</u> | <u>89.7</u> | <u>85.6</u> | <u>81.9</u> | <u>106.0</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>14,171,123</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> | <u>4,096,885</u> |
| 427 | 410 | 363 | 344 | 339 | 352 |
| 66 | 64 | 61 | 61 | 61 | 52 |
| 43 | 43 | 44 | 43 | 39 | 41 |
| 30 | 27 | 16 | 16 | 15 | 17 |
| 24 | 19 | 22 | 18 | 19 | 19 |
| 15 | 13 | 78 | 69 | 66 | 54 |
| 10 | 8 | 9 | 12 | 11 | 10 |
| 33 | 27 | 38 | 32 | 28 | 25 |
| 94 | 83 | 77 | 78 | 70 | 72 |
| <u>742</u> | <u>694</u> | <u>708</u> | <u>673</u> | <u>648</u> | <u>642</u> |
| <u>8</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>750</u> | <u>694</u> | <u>708</u> | <u>673</u> | <u>648</u> | <u>642</u> |
| <u>773</u> | <u>761</u> | <u>730</u> | <u>719</u> | <u>693</u> | <u>680</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**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| Number of Buildings | | | | |
| <u>Operations</u> | | | | |
| Southerly Plant | 45 | 45 | 45 | 45 |
| Easterly Plant | 22 | 22 | 22 | 21 |
| Westerly Plant | 17 | 17 | 17 | 17 |
| Outlying Pump Buildings | 9 | 9 | 9 | 7 |
| Total Operations | <u>93</u> | <u>93</u> | <u>93</u> | <u>90</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>98</u> | <u>98</u> | <u>98</u> | <u>95</u> |
| Miles of Interceptor Sewers Installed Annually* | <u>3.73</u> | <u>3.33</u> | <u>3.53</u> | <u>0</u> |
| Number of Outlying Systems | | | | |
| <u>Sewage Collection System</u> | | | | |
| Interceptor Sewers and Tunnels | 25 | 23 | 22 | 21 |
| Inter-Community Relief Sewers | 30 | 30 | 30 | 30 |
| Automated Regulators | 34 | 35 | 31 | 32 |
| Pumping Stations | 13 | 13 | 13 | 10 |
| Force Mains | 8 | 8 | 5 | 5 |
| Total Sewage Collection System | <u>110</u> | <u>109</u> | <u>101</u> | <u>98</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 | 29 |
| Lakeview Dam | 1 | 1 | 1 | 1 |
| Total Support Facilities | <u>49</u> | <u>49</u> | <u>49</u> | <u>48</u> |
| Total Outlying Systems | <u>159</u> | <u>158</u> | <u>150</u> | <u>146</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>434.5</u> | <u>434.5</u> | <u>434.5</u> | <u>434.5</u> |

*Total interceptor sewers are in excess of 200 miles.

Source: District accounting, GIS data and engineering records.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 44 | 43 | 42 | 42 | 40 | 39 |
| 21 | 20 | 19 | 19 | 18 | 18 |
| 17 | 17 | 17 | 16 | 16 | 16 |
| <u>6</u> | <u>6</u> | <u>7</u> | <u>7</u> | <u>7</u> | <u>7</u> |
| <u>88</u> | <u>86</u> | <u>85</u> | <u>84</u> | <u>81</u> | <u>80</u> |
| 1 | 1 | 1 | 1 | 1 | 1 |
| <u>4</u> | <u>4</u> | <u>4</u> | <u>4</u> | <u>4</u> | <u>4</u> |
| <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> | <u>5</u> |
| <u>93</u> | <u>91</u> | <u>90</u> | <u>89</u> | <u>86</u> | <u>85</u> |
| <u>0.20</u> | <u>1.4</u> | <u>4.5</u> | <u>0.25</u> | <u>2.87</u> | <u>5.55</u> |
| 21 | 21 | 21 | 21 | 21 | 21 |
| 30 | 30 | 30 | 29 | 28 | 26 |
| 32 | 32 | 31 | 25 | 25 | 25 |
| 9 | 9 | 9 | 10 | 10 | 10 |
| <u>5</u> | <u>5</u> | <u>5</u> | <u>6</u> | <u>6</u> | <u>6</u> |
| <u>97</u> | <u>97</u> | <u>96</u> | <u>91</u> | <u>90</u> | <u>88</u> |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 8 | 8 | 8 | 8 | 8 | 8 |
| 28 | 28 | 28 | 25 | 25 | 25 |
| <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| <u>47</u> | <u>47</u> | <u>47</u> | <u>44</u> | <u>44</u> | <u>44</u> |
| <u>144</u> | <u>144</u> | <u>143</u> | <u>135</u> | <u>134</u> | <u>132</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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Sewage Accounts:</u> | | | | |
| <u>Subdistrict 1</u> | | | | |
| Cleveland (2) | 118,800 | 118,958 | 119,325 | 120,031 |
| <u>Subdistrict 2</u> | | | | |
| Master Meter - Suburbs (1) (2) | 1 | 1 | 1 | 1 |
| Direct Service - Suburbs (2) | <u>204,413</u> | <u>203,799</u> | <u>203,248</u> | <u>202,767</u> |
| Subtotal | <u>204,414</u> | <u>203,800</u> | <u>203,249</u> | <u>202,768</u> |
| Total Sewage Accounts | <u>323,214</u> | <u>322,758</u> | <u>322,574</u> | <u>322,799</u> |
| Stormwater Only Accounts (3) | <u>17,189</u> | <u>17,259</u> | <u>17,268</u> | <u>17,296</u> |
| Total Customers | <u><u>340,403</u></u> | <u><u>340,017</u></u> | <u><u>339,842</u></u> | <u><u>340,095</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 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 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: District accounting records.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 122,204 | 123,722 | 124,288 | 125,422 | 126,357 | 125,832 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| <u>189,234</u> | <u>189,112</u> | <u>188,730</u> | <u>187,859</u> | <u>186,934</u> | <u>183,985</u> |
| <u>189,237</u> | <u>189,115</u> | <u>188,733</u> | <u>187,862</u> | <u>186,937</u> | <u>183,988</u> |
| <u>311,441</u> | <u>312,837</u> | <u>313,021</u> | <u>313,284</u> | <u>313,294</u> | <u>309,820</u> |
| <u>20,602</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <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> | <u><u>309,820</u></u> |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017 (2)</u> |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>Subdistrict 1</u> | | | | |
| Cleveland | 1,459,042 | 1,575,484 | 1,622,406 | 1,701,704 |
| <u>Subdistrict 2</u> | | | | |
| Direct Service - Suburbs | 1,889,039 | 1,926,416 | 1,936,856 | 2,046,806 |
| Master Meter - Suburbs (1) | <u>9,420</u> | <u>9,240</u> | <u>9,822</u> | <u>8,812</u> |
| Subtotal | <u>1,898,459</u> | <u>1,935,656</u> | <u>1,946,678</u> | <u>2,055,618</u> |
| Total Service Area | <u><u>3,357,501</u></u> | <u><u>3,511,140</u></u> | <u><u>3,569,084</u></u> | <u><u>3,757,322</u></u> |

(1) For year 2011, Consumption of Master Meter Suburbs is presented at 80% of their total consumption, which is the billing basis. 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>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 1,684,932 | 1,668,505 | 1,715,359 | 1,706,438 | 1,781,276 | 1,881,996 |
| 1,921,167 | 1,884,506 | 1,892,128 | 1,859,247 | 1,977,996 | 2,005,569 |
| <u>97,367</u> | <u>112,489</u> | <u>131,691</u> | <u>143,503</u> | <u>136,544</u> | <u>209,320</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>2,214,889</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> | <u><u>4,096,885</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)

| | 2020 | 2019 | 2018 | 2017 (3) |
|--|-------------------|-------------------|-------------------|-------------------|
| Sewer Operating Revenues, Net | \$ 352,075 | \$ 340,213 | \$ 326,059 | \$ 299,380 |
| Non-Operating Sewer Revenues | 5,138 | 8,449 | 5,138 | 3,315 |
| Total Revenues | <u>357,213</u> | <u>348,662</u> | <u>331,197</u> | <u>302,695</u> |
| Sewer Operating Expenses (Exclusive of depreciation) | 127,904 | 138,348 | 132,981 | 131,755 |
| Transfer to Rate Stabilization Account | - | - | - | - |
| Total Expenses | <u>127,904</u> | <u>138,348</u> | <u>136,955</u> | <u>131,755</u> |
| Net Revenues Available for Debt Service | <u>\$ 229,309</u> | <u>\$ 210,314</u> | <u>\$ 194,242</u> | <u>\$ 170,940</u> |
| Total Revenue Bond Debt Service (1), (2) | \$ 48,997 | \$ 44,679 | \$ 51,163 | \$ 62,907 |
| Coverage on Revenue Bond Debt Service | 4.68 | 4.71 | 3.80 | 2.72 |
| Total All Debt Service (1) | \$ 96,921 | \$ 94,420 | \$ 95,770 | \$ 107,612 |
| Coverage on Total Debt Service | 2.37 | 2.23 | 2.03 | 1.59 |

(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, 2020 were:

| | 2020 | 2019 | 2018 | 2017 |
|--|------------------|------------------|------------------|-------------------|
| Revenue Bond Issues and Debt Service | | | | |
| \$68,280 Series 2005 (A) | \$ - | \$ - | \$ - | \$ - |
| \$126,055 Series 2007 (B) (F) (H) | - | - | - | 338 |
| \$336,930 Series 2010 (C) (G) | 4,634 | 6,755 | 13,335 | 13,360 |
| \$249,535 Series 2013 (D) (I) | 5,467 | 952 | 952 | 12,172 |
| \$350,570 Series 2014A (E) | 10,926 | 18,301 | 19,485 | 30,182 |
| \$68,460 Series 2014B (F) | - | 6,209 | 6,225 | 3,205 |
| \$25,015 Series 2016 (H) | 824 | 824 | 823 | 3,650 |
| \$241,595 Series 2017 (I) | 10,203 | 10,201 | 10,343 | - |
| \$245,005 Series 2019 (J) | 7,959 | 1,437 | - | - |
| \$244,895 Series 2020 (K) | 8,984 | - | - | - |
| Total Revenue Bond Issues and Debt Service | <u>48,997</u> | <u>44,679</u> | <u>51,163</u> | <u>62,907</u> |
| WPCLF Debt Service | <u>47,924</u> | <u>49,741</u> | <u>44,607</u> | <u>44,705</u> |
| Total All Debt Service | <u>\$ 96,921</u> | <u>\$ 94,420</u> | <u>\$ 95,770</u> | <u>\$ 107,612</u> |

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

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

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

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

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

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

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

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

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

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

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

(2) Bonds and loans are secured by a pledge of and lien on revenues of the 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: District accounting records.

| 2016 (3) | 2015 (3) | 2014 | 2013 | 2012 | 2011 |
|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| \$ 286,783 | \$ 259,683 | \$ 239,185 | \$ 209,790 | \$ 187,241 | \$ 172,722 |
| 3,397 | 1,353 | 1,290 | 1,462 | 1,939 | 3,674 |
| <u>290,180</u> | <u>261,036</u> | <u>240,475</u> | <u>211,252</u> | <u>189,180</u> | <u>176,396</u> |
| 118,992 | 104,480 | 102,198 | 99,895 | 94,107 | 90,314 |
| - | 6,000 | 6,000 | - | - | 3,000 |
| <u>118,992</u> | <u>110,480</u> | <u>108,198</u> | <u>99,895</u> | <u>94,107</u> | <u>93,314</u> |
| <u>\$ 171,188</u> | <u>\$ 150,556</u> | <u>\$ 132,277</u> | <u>\$ 111,357</u> | <u>\$ 95,073</u> | <u>\$ 83,082</u> |
| \$ 63,428 | \$ 42,425 | \$ 28,774 | \$ 28,579 | \$ 15,372 | \$ 15,370 |
| 2.70 | 3.55 | 4.60 | 3.90 | 6.18 | 5.41 |
| \$ 111,612 | \$ 94,104 | \$ 78,180 | \$ 78,818 | \$ 64,473 | \$ 59,974 |
| 1.53 | 1.60 | 1.69 | 1.41 | 1.47 | 1.39 |

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 14,648 | \$ 7,517 | \$ 7,522 | \$ 7,516 | \$ 7,518 | \$ 7,514 |
| 3,373 | 4,457 | 7,858 | 7,858 | 7,854 | 7,856 |
| 13,367 | 13,363 | 13,394 | 13,205 | - | - |
| 12,172 | 6,086 | - | - | - | - |
| 16,182 | 8,091 | - | - | - | - |
| 3,205 | 2,911 | - | - | - | - |
| 481 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>63,428</u> | <u>42,425</u> | <u>28,774</u> | <u>28,579</u> | <u>15,372</u> | <u>15,370</u> |
| <u>48,184</u> | <u>51,678</u> | <u>49,406</u> | <u>50,239</u> | <u>49,101</u> | <u>44,604</u> |
| <u>\$ 111,612</u> | <u>\$ 94,103</u> | <u>\$ 78,180</u> | <u>\$ 78,818</u> | <u>\$ 64,473</u> | <u>\$ 59,974</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 | | |
|--|------------------------|----------|-------------------------|----------|---------------|----------|----------|---------------|---------------|----------|
| | Rate (1) | | Rate (1) | | Standard | | Standard | | Homestead (2) | |
| | % Change | % Change | % Change | % Change | Rate (1) | % Change | Rate (1) | % Change | Rate (1) | % Change |
| 2011 | \$ - | \$44.75 | 9.8 | \$30.05 | 9.9 | \$48.00 | 8.5 | \$32.25 | 8.6 | |
| 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 | 83.10 | 6.5 | 49.85 | 6.4 | 84.60 | 5.9 | 50.85 | 5.8 | |
| 2018 (5) | 14.85 | 88.40 | 6.4 | 53.05 | 6.4 | 89.60 | 5.9 | 53.85 | 5.9 | |
| 2019 (5) | 19.05 | 94.15 | 6.5 | 56.50 | 6.5 | 95.05 | 6.1 | 57.10 | 6.0 | |
| 2020 (5) | 23.85 | 100.15 | 6.4 | 60.10 | 6.4 | 100.75 | 6.0 | 60.50 | 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 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: District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
STORMWATER FEE RATES
RATES AS OF DECEMBER 31, 2020**

| <u>Type of property</u> | <u>Tier Type</u> | <u>Impervious surface area (sq. ft.)*</u> | <u>2020 (1)</u> | <u>2019 (1)</u> | <u>2018 (1)</u> | <u>2017 (1)</u> | <u>2016 (1)</u> |
|-------------------------|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Residential | Tier 1 | Less than 2,000 | \$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 |
| | Tier 3 | 4,000 or more | \$9.27 | \$9.27 | \$9.27 | \$9.27 | \$9.27 |
| | Homestead/Affordability | Any size | \$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 |
| | Educational Economically Disadvantaged (2) | Per ERU, or 3,000 square feet | \$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: District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CAPITAL IMPROVEMENT PROGRAM
USES AND SOURCES OF FUNDS
FOR THE YEARS ENDING DECEMBER 31, 2021 THROUGH 2030
(In Thousands of Dollars)**

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>USES OF FUNDS</u> | | | | | |
| Sewage Treatment Plant Improvements | \$ 56,931,566 | \$ 39,212,759 | \$ 71,092,827 | \$ 52,061,489 | \$ 26,566,503 |
| Interceptors/Rehabilitation | 10,628,624 | 27,636,311 | 15,063,658 | 19,589,625 | 15,769,382 |
| Combined Sewer Overflow Control Program | 119,984,122 | 163,969,162 | 197,250,276 | 220,548,295 | 252,661,818 |
| District-wide Building Improvements and Other Improvements | 18,926,973 | 45,749,453 | 18,707,692 | 12,869,939 | 16,370,004 |
| Information Technology and Other Minor Equipment | 14,491,715 | 15,190,315 | 15,927,547 | 16,708,652 | 17,532,294 |
| Total | <u>\$ 220,963,000</u> | <u>\$ 291,758,000</u> | <u>\$ 318,042,000</u> | <u>\$ 321,778,000</u> | <u>\$ 328,900,000</u> |
| <u>SOURCES OF FUNDS</u> | | | | | |
| WPCLF (1) | \$ 127,235,000 | \$ 157,864,000 | \$ 210,800,000 | \$ 221,564,000 | \$ 233,028,000 |
| Internally Generated Funds/Reserves | 93,728,000 | 133,894,000 | 107,242,000 | 100,214,000 | 95,872,000 |
| Total | <u>\$ 220,963,000</u> | <u>\$ 291,758,000</u> | <u>\$ 318,042,000</u> | <u>\$ 321,778,000</u> | <u>\$ 328,900,000</u> |

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

| <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>TOTAL</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| \$ 24,510,466 | \$ 28,973,581 | \$ 28,625,154 | \$ 38,467,531 | \$ 76,010,234 | \$ 442,452,111 |
| 7,233,128 | 14,864,015 | 9,135,689 | 9,426,077 | 16,734,650 | 146,081,159 |
| 181,522,279 | 140,629,485 | 149,562,620 | 126,433,699 | 111,507,902 | 1,664,069,657 |
| 17,613,573 | 9,575,986 | 8,899,537 | 17,165,379 | 20,596,830 | 186,475,365 |
| 18,403,554 | 19,324,933 | 20,299,000 | 21,331,315 | 22,421,384 | 181,630,708 |
| <u>\$ 249,283,000</u> | <u>\$ 213,368,000</u> | <u>\$ 216,522,000</u> | <u>\$ 212,824,000</u> | <u>\$ 247,271,000</u> | <u>\$ 2,620,709,000</u> |
| \$ 172,593,000 | \$ 130,709,000 | \$ 133,057,000 | \$ 135,485,000 | \$ 168,109,000 | \$ 1,690,444,000 |
| 76,690,000 | 82,659,000 | 83,465,000 | 77,339,000 | 79,162,000 | 930,265,000 |
| <u>\$ 249,283,000</u> | <u>\$ 213,368,000</u> | <u>\$ 216,522,000</u> | <u>\$ 212,824,000</u> | <u>\$ 247,271,000</u> | <u>\$ 2,620,709,000</u> |

Prepared by the Department of Finance

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Northeast Ohio

Regional Sewer District