

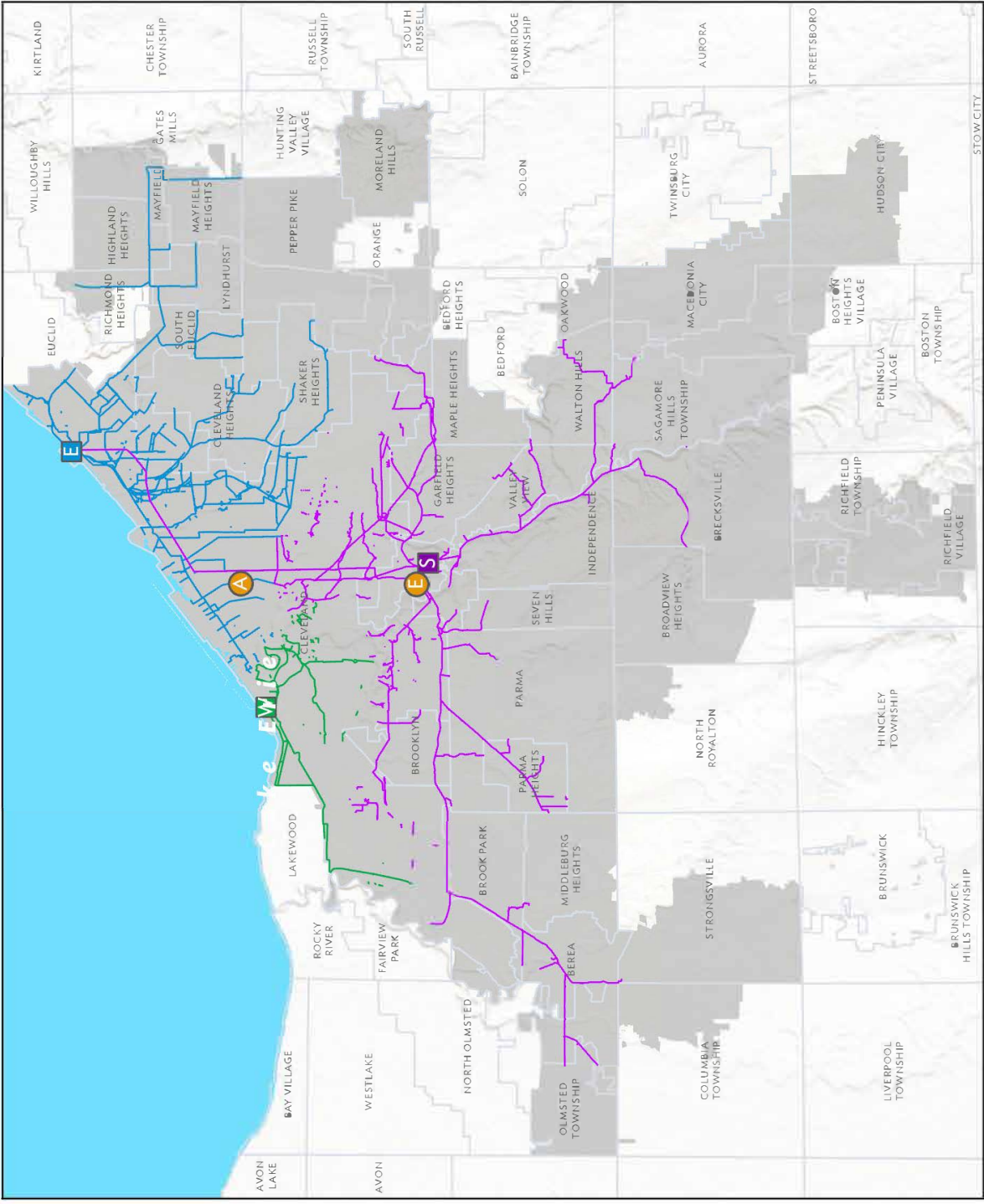




2024 Annual Comprehensive Financial Report

 **Northeast Ohio
Regional Sewer District**

For the years ended December 31, 2024 and 2023
A political subdivision of the State of Ohio

Legend



-  GJM Administration
 EMSC
 Westerly WPCC
 Easterly WWTP
 Southernly WWTC
 Easterly Interceptors
 Southernly Interceptors
 Westerly Interceptors
 District Sanitary Service Area



1:250,000

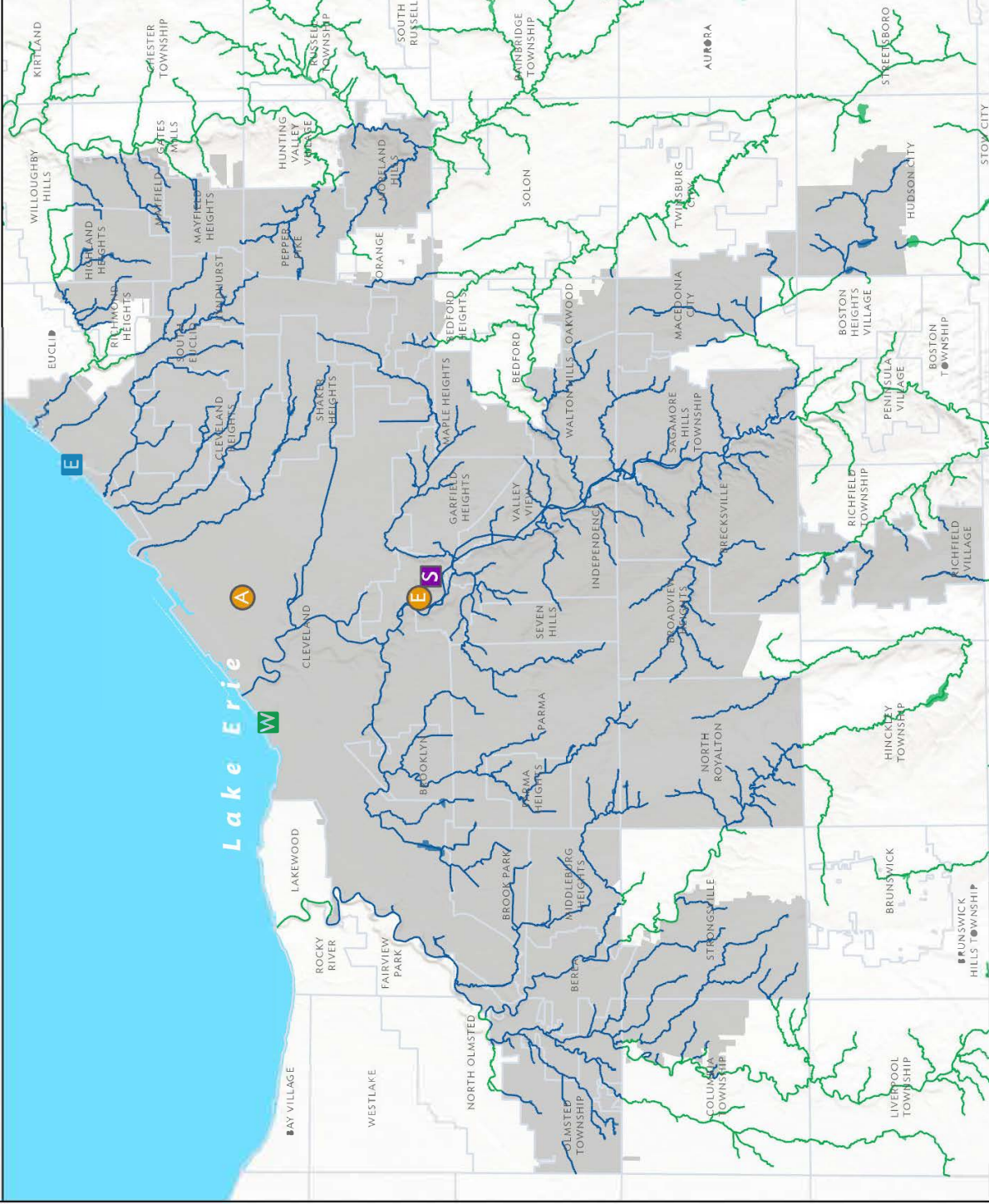


Coordinate System: Ohio State Plane North
Datum: NAD 1983
Projection: Lambert Conformal Conic
Sources: NEORS GIS, County, and Esri Sources
Map Created: May 2025

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*This map data was compiled by the Northeast Ohio Regional Council of Governments (NORCOG) which makes every effort to produce and publish the most current and accurate information possible. This map data was created and compiled to serve the District for planning and analysis purposes. The District makes no warranties, expressed or implied, with respect to the accuracy of this map data and assumes no liability for any errors or omissions. The District and its employees expressly disclaim any liability that may result from use of the map data. For more information, please contact: GIS Services, 3500 Euclid Avenue, Cleveland, Ohio 44115. GIS@norcog.org

NEORSD Stormwater Service Area



Notes

This map data was compiled by the Northeast Ohio Regional Sewer District ("NEORS") which makes every effort to reduce and publish the most current and accurate information possible. This map data was created and compiled to serve the District's planning and analytical purposes. The District makes no warranties, representations, or guarantees about the accuracy, completeness, or reliability of the data used in this map. The District makes no liability for any errors or omissions in the data. For more information, please contact: GIS Services 3988 Euclid Avenue, Cleveland, OH 44115-0515 or neorsd@neorsd.org.

Legend

- GJM Administration
- EMSC
- Westerly WPCC
- Easterly WWTP
- Southerly WWTC
- Regional Stormwater System Inside District Service Area
- Regional Stormwater System Outside District Service Area
- District Stormwater Service Area

NEORS GIS

1:250,000



Coordinate System: Ohio State Plane North
Datum: NAD 83
Projection: Lambert Conformal Conic
Sources: NEORS GIS, County, and Esri
Map Created: May 2015

Northeast Ohio Regional Sewer District

A Political Subdivision of the State of Ohio

2024 Annual Comprehensive Financial Report
For the Years Ended December 31, 2024 and 2023

Prepared by the Department of Finance

Kenneth J. Duplay, CPA, CMA
Chief Financial Officer

NORTHEAST OHIO REGIONAL SEWER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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NORTHEAST OHIO REGIONAL SEWER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

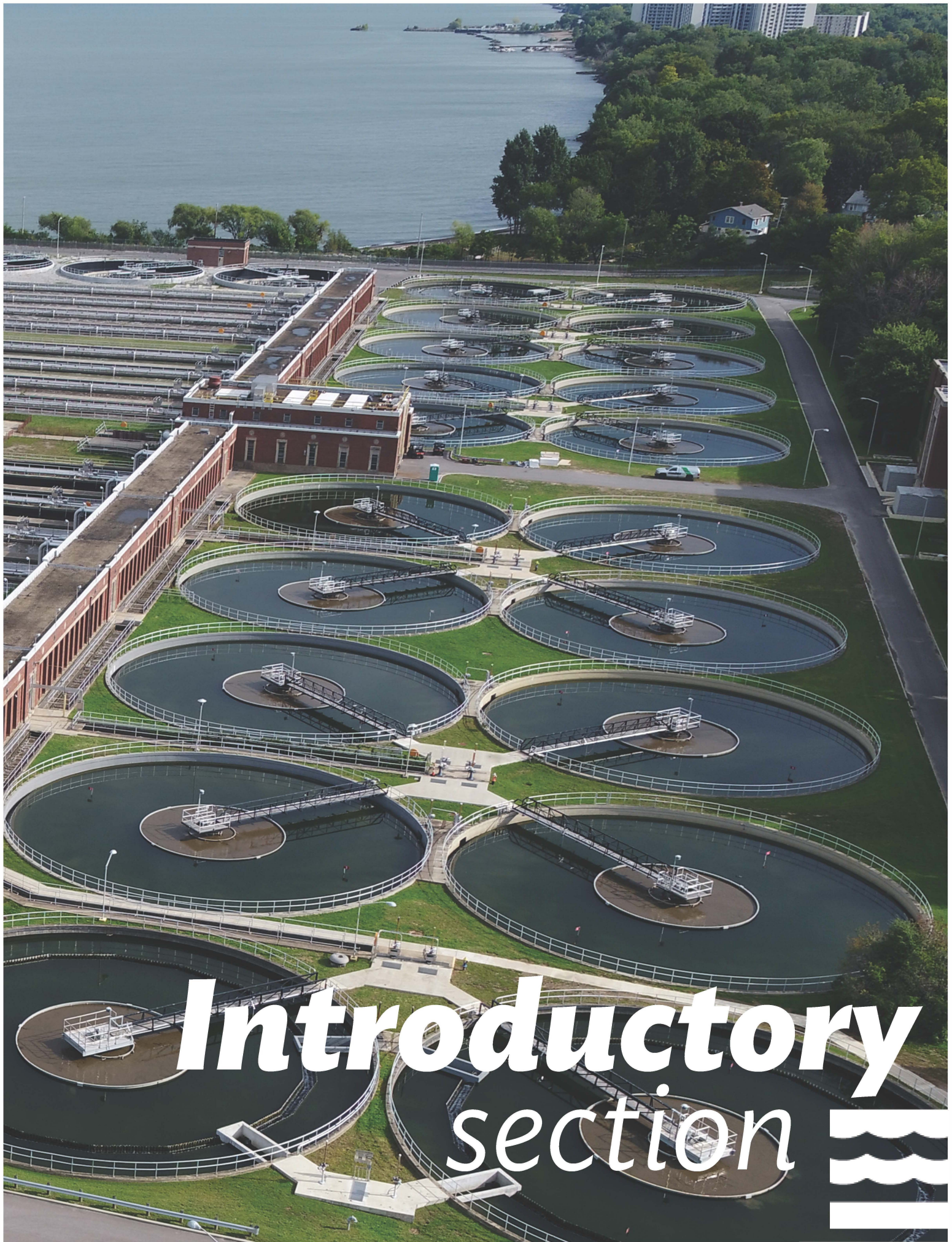
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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**Northeast Ohio
Regional Sewer District**



Introductory section





Northeast Ohio Regional Sewer District

June 30, 2025

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

State law requires that local governments reporting on a Generally Accepted Accounting Principles (GAAP) basis file a complete set of financial statements within 150 days of the close of each fiscal year. These financial statements are required to be presented in conformity with GAAP and audited in accordance with standards generally accepted in the United States of America (USA) by the Auditor of State or licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the Northeast Ohio Regional Sewer District (Sewer District) for the fiscal years ended December 31, 2024 and 2023.

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

The Sewer District's financial statements for the year ended December 31, 2024 and 2023 have been audited by Ciuni & Panichi, Inc. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Sewer District for the fiscal years ended December 31, 2024 and 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there is a reasonable basis for rendering an unmodified opinion that the Sewer District's financial statements for the fiscal years ended December 31, 2024 and 2023 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

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

PROFILE OF THE SEWER DISTRICT

General

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

Service Area

The Sewer District's service area includes more than 363 square miles, 344 miles of sewers, and a 489-mile regional stormwater system. The Sewer District encompasses the City of Cleveland and all or portions of 62 suburban communities in Cuyahoga, Lake, Lorain, and Summit Counties. The stormwater service area includes 56 communities. The area contains a residential service population of nearly one million persons and includes a diverse group of service, information, biotechnology, manufacturing, and processing industries. The Sewer District manages stormwater and treats more wastewater than any other wastewater treatment system in the State of Ohio. The Sewer District treats approximately 80 billion gallons of wastewater annually.

Governance

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

Budgets and Funding

General provisions regulating the Sewer District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the Sewer District's operating and capital budgets to the Board, and they are required to adopt such budgets by March 31 of the year to which they apply. Readers should refer to the Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual on page 96 of this report, along with the accompanying Notes to Supplementary Information for additional budgetary information.

Funding sources used primarily by the Sewer District to fund the Sewer Capital Improvement Plan include cash reserves, internally generated capital, operating revenues, the Ohio Water Pollution Control Loan Fund ("WPCLF"), and revenue bonds. The Sewer District's Regional Stormwater Management Program, which is cash funded, received \$7.5 million in grant funding for use on Stormwater Projects for the year ended December 31, 2024. The Sewer District will continue to explore options to gain access to grant funding for our capital program and our member communities. This information should be read in conjunction with the financial statements.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

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

The annual unemployment rate in 2024 (per the Bureau of Labor Statistics, not seasonally adjusted) for Cuyahoga County, which is significantly the same as the Sewer District's service area, was 3.4%. Cuyahoga County's unemployment rate was 0.8% lower than the unemployment rate for the State of Ohio (4.2%) and 0.4% lower than the national rate of 3.8%. Although the City of Cleveland and Cuyahoga County have experienced a migration of residents to neighboring suburbs and counties, the presence of corporate, cultural and entertainment facilities continue to attract visitors and commuters to the area.

Long-Term Financial Planning

The Sewer District has had a strong financial history since its inception in 1972. Moving forward, the Sewer District is positioned to continue to meet the level of service and regulatory requirements demanded by its customers, its Board, and regulatory agencies. Part of that responsibility will entail investment over the next 10 years of approximately \$1.7 billion in new Combined Sewer Overflow (CSO) controls and wastewater facility improvements.

The Sewer District maintains a long-range financing plan for its operating and capital budgets. The Sewer District's five-year financing plan for the capital budget provides for nearly \$1.2 billion in capital project expenditures from 2025 to 2029, primarily for improvements to our Southerly Wastewater Treatment Plant and our CSO long-term control plan. This includes approximately \$124.5 million for the plants, \$779.3 million for the CSO projects, \$77.4 million for the collection system and building improvements and \$250.3 million of miscellaneous Sewer District-wide improvements and minor capital purchases. Over this five-year period, the Sewer District will need to address both regulatory driven capital improvements and rehabilitation driven capital improvements at its three (3) wastewater treatment plants and within its collection system.

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

Debt Administration

At year-end, the Sewer District had bonded debt outstanding of \$834,070,000. The debt, including applicable bond premium costs and discounts, is \$874,099,931. The Sewer District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2024, the outstanding loan balance was \$1,005,914,751 for the WPCLF. Outstanding revenue bonds of the Sewer District are rated AA+ by Standard & Poor's and Aa1 by Moody's rating agencies. Note 7 to the financial statements includes schedules of debt outstanding and future debt service requirements.

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

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

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

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

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

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

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

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

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

In 2024, the Sewer District issued \$135,750,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2024. The Series 2024 Bonds were comprised of \$135,750,000 to completely refund the outstanding 2010 Wastewater Improvement Revenue Bonds and refund a portion of the 2016, 2017, 2019, 2020 and 2021 Wastewater Improvement Revenue Bonds previously issued. The Refunding Bonds, Series 2024 were issued to advance refund the outstanding Series 2010, 2016, 2017, 2019, 2020 and 2021 Bonds and achieve uniform debt service savings. This information should be read in conjunction with Note 7 of the financial statements.

In 2024, the Sewer District executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2045, 2046 and 2047 maturities of the Series 2020 Wastewater Improvement Revenue and Refunding Bonds in the amount of \$42,260,000. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, that portion of the Series 2020 Wastewater Improvement Bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This information should be read in conjunction with Note 7 of the financial statements.

MAJOR INITIATIVES

2024 and 2023 Awards

During 2024, the Sewer District received awards for 2023 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 2023.

The Easterly Wastewater Treatment Plant has earned a Platinum Peak Performance award that recognizes facilities with no permit violations for 5 years and over. The Westerly Wastewater Treatment Plant earned the Gold Peak Performance award that recognizes a facility with no permit violations for the entire calendar year. The Southerly Wastewater Treatment Plant earned a Silver Award. Silver Awards are presented to facilities with no more than five violations per calendar year. Awards for 2024 performance have not been announced as of the date of this report.

The Sewer District received the Auditor of State Award with Distinction for our 2023 Annual Comprehensive Financial Report (ACFR). The Auditor's Office presents the Ohio Auditor of State Award with Distinction to local governments and school districts upon the completion of a financial audit. The entity must file financial reports with the Auditor of State's office by the statutory due date, without extension, via the Hinkle System, on a GAAP accounting basis and prepare an ACFR.

The Sewer District has received this award the last 5 years. We pride ourselves on our transparency and accuracy, and we are honored to have received this award in recognition of our strong financial policies and practices.

During 2024, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the Sewer District for the seventeenth time for its 2024 Budget.

Business Opportunity Program

The Office of Contract Compliance was formed in 2008. After receiving the recommendations from the Disparity Study in 2010, the Business Opportunity Program (BOP) was created which allows Minority Business Enterprise (MBE), Women Business Enterprise (WBE) and Small Business Enterprise (SBE) goals to be placed on projects. The Office of Contract Compliance monitors payments, prevailing wages and provides outreach services for certified firms. The BOP is designed to contribute to the economic health and vitality of the region by providing a greater opportunity to conduct business with the Sewer District, resulting in job and business growth for the local business community. Bringing new companies into the Sewer District's procurement process enhances the competitive bidding process which helps deliver the greatest value. The total number of certified firms in the program in 2024 was 321. The BOP spending in construction and stormwater for 2024 was \$51 million (MBE \$19 million, SBE \$14 million and WBE \$18 million). Also, payments were made to certified firms directly in the areas of goods, professional services, construction, and engineering.

Supplier Registration

In November 2013, the Purchasing Department implemented the Oracle eBusiness Suite which included Purchasing, Sourcing and the iSupplier online registration system. Suppliers benefit from a more streamlined purchasing process that involves electronic communication. They can view all purchase order activity for their company, provide quotes and see awarded quotes, create invoices and track payment status using iSupplier. The system tracks products and services provided by the registered supplier for future quoting opportunities and suppliers interested in participating in the Business Opportunity Program. The Sewer District currently has 3,371 registered suppliers with 222 new vendors that registered in 2024.

HUMAN RESOURCES PROGRAMS

The Human Resources Department exists to attract, hire, retain and engage top talent by providing a safe, respectful work environment. We will accomplish this by championing the Sewer District's workforce by investing in our people at all levels so that we can develop a dynamic and skilled workforce that is better equipped to support the communities we serve.

The demand for transformative, strategic and collaborative HR services continues to grow. Over the next five years, HR will focus on key areas that will maximize individual potential, increase organizational capacity and position the Sewer District as an employer of choice.

- **ORGANIZATIONAL EFFECTIVENESS**

Increase organizational effectiveness of Human Resources to better serve the Sewer District.

- **RECRUIT AND ACQUIRE**

Build a strategic talent acquisition function that revolves around a competitive employer brand, engaging and standardized candidate experience, and streamlined service delivery.

- **REWARD AND ENGAGE**

Develop Systems, tools and processes to recognize and reward employees. Employees will be more engaged through creating a supportive culture that promotes their financial, physical, and emotional health and well-being, as well as their personal and career development.

- **DEVELOP AND RETAIN**

Enhance individual and organizational effectiveness by ensuring every employee feels welcomed and valued and has access to the training, tools and resources they need to be successful beginning with their first day of work and continuing throughout their career at the Sewer District.

- **EMPLOYEE COLLABORATION**

Leverage strong communication and management skills to foster positive relationships that reinforce the ties between the workforce and contribute to a positive workplace climate.

The following are 2024 highlights and corresponding successes:

Recruit and Acquire

- Conducted our first interview training and resume building workshop for employees of the Sewer District
- Conducted our first intern appreciation day
- Filled 203 total positions, of which 94 were new hires
- Attended 41 career and community events

HRIS

- Completed Performance Management Pilot
- Training delivered on Performance Management
- Implementation of electronic I-9s across the Sewer District

Compensation

- Completion of Compensation Study
- Development and release of a District-Wide Compensation Philosophy
- Participated in various salary surveys, demonstrating collaboration and expertise with partners across the industry

Develop and Retain

- The Ohio State Apprenticeship Council had 7 applicants and 4 certification completions through the Ohio State Apprenticeship Council
- Employees preparing for Wastewater Certification were supported with newly created study materials
- Key programs included the Frontline Leadership Development Program's second cohort with 10 leaders, the Maintenance Training Program with 8 completions, and the Operator Training Program with 6 completions
- The Tuition Assistance Program (TAP) supported 29 employees
- A total of 179 courses were attended by employees

Employee Collaboration

- Created reference guides for all collective bargaining agreements modifications
- Completed OPBA negotiations
- Ensured the requirement that all Sewer District staff participated in Anti-Workplace/Anti-harassment Training in Q2 and Ethics Training

CSO Long-Term Control Plan

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

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

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

In 2024, the Sewer District began construction of the Southerly Storage Tunnel (SST), the sixth of the seven large-scale tunnels that will be constructed under the Consent Decree. This tunnel system has the capacity to store 64 million gallons of combined sewage for treatment at the Sewer District's Southerly Wastewater Treatment Plant controlling an estimated 760 million gallons of CSO annually. This is in addition to the previously completed Euclid Creek Tunnel (ECT), Dugway Storage Tunnel (DST), and Doan Valley Tunnel (DVT) that control over 1.1 billion gallons of CSO in a typical year. Additionally, the Sewer District continued construction of the fifth large-scale tunnel, the Shoreline Storage Tunnel. The Sewer District completed construction of the Westerly Tunnel Dewatering Pump Station associated with the Westerly Storage Tunnel (WST), the fourth large-scale tunnel constructed by the Sewer District. Design began for the Big Creek Tunnel (BCT), the final large diameter CSO storage tunnel. The BCT will capture and store a combination of sanitary sewage and stormwater and upon completion, CSO volume discharged to Big Creek and its tributaries will be reduced by 580 million gallons annually. Ultimately, the Sewer District will construct seven tunnels under its Consent Decree, which range from two to five miles in length, up to 300 feet underground and up to 25 feet in diameter. The tunnels are like the previously constructed Mill Creek Tunnel, a structure that has the capacity to store 75 million gallons of combined sewage until it can be treated at the Sewer District's Southerly Wastewater Treatment Plant.

The Sewer District's LTCP also includes a commitment to green infrastructure projects to further reduce CSO flows beyond those captured by the tunnel systems. In total, nine (9) green infrastructure projects were constructed.

Other major projects the Sewer District completed under its Consent Decree outside of the storage tunnels include improvements at the Easterly WWTP completed in 2017 and Southerly WWTP completed in 2024 to increase secondary capacity at both plants. Additionally, the construction of upgrades to the existing Westerly CSO Treatment Facility (CSOTF) with chemically enhanced high-rate treatment and disinfection (CEHRT) for further treatment of flow discharging at CSO 002, the third largest of the Sewer District's CSOs, commenced in April 2022 and continued through 2024.

Asset Management

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

The Sewer District implemented a new Computerized Maintenance Management System (CMMS) in June of 2021. The software package, NexGen Asset Management, maintains a database of information about an organization's maintenance operations. NexGen Asset Management has been designed by professional engineers for water, wastewater, and stormwater utilities. Engineers have created 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 allows us improved accuracy and efficiency.

Capital Planning

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

Maintenance Activities

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

Regional Stormwater Management Program

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

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

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

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

Community Cost-Share Program

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

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

Green Infrastructure Grant Program

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

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

Member Community Infrastructure Program

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

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

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

Strategic and Operational Action Plan

The Northeast Ohio Regional Sewer District's 2022-2024 Strategic Plan served as a guiding document over those years to ensure our work remained mission-focused and impactful.

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

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

In 2024, as part of our Operational Action Plan, the Sewer District completed our sustainability plan. This involved benchmarking ourselves compared to eight industry peers, holding internal meetings, and gaining external perspective on the draft document prior to completion. This District-wide plan sets ambitious goals for NEORSD for the next three years and assigns specific employees to be accountable for their implementation. We also updated our Sustainable Purchasing Policy and Guidelines and held trainings for everyone from administrative assistants to purchasers.

Last year was the final calendar year in our three-year Strategic Plan and served as the foundation for our development of the 2025-2027 Strategic Plan that guides our work today.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sewer District for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2023. This was the 29th consecutive year that the Sewer District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,


Kyle Dreyfuss-Wells
Chief Executive Officer


Kenneth J. Duplay
Chief Financial Officer

2023 Annual Comprehensive Financial Reporting Award



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Northeast Ohio Regional Sewer District

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO



**Northeast Ohio
Regional Sewer District**

***2024 Government Finance Officers Association
Distinguished Budget Award***



GOVERNMENT FINANCE OFFICERS ASSOCIATION

***Distinguished
Budget Presentation
Award***

PRESENTED TO

Northeast Ohio Regional Sewer District

For the Fiscal Year Beginning

January 01, 2024

Christopher P. Morill

Executive Director

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
TABLE OF ORGANIZATION
DECEMBER 31, 2024**

BOARD OF TRUSTEES



Darnell Brown
Board President



Ronald D. Sulik
Vice President



Mayor Timothy DeGeeter
Secretary



Mayor Samuel J. Alai



Mayor Jack Bacci



Marjorie Chambers



Sharon A. Dumas

OFFICERS



Kyle Dreyfuss-Wells
Chief Executive Officer



Kenneth J. Duplay
Chief Financial Officer
80 employees



James Bunsey
Chief Operating Officer
480 employees



Eric Luckage
Chief Legal Officer
10 employees



Constance T. Haqq
Chief Administrative Officer
72 employees

DIRECTORS



Francis G. Foley
Director of
Operations and Maintenance
339 employees



Mohan Kurup
Director of
Information Technology
37 employees



Devona Marshall
Director of Engineering
and Construction
39 employees



Jacqueline Muhammad
Director of
Government &
Customer Relations
25 employees



Matthew Scharver
Director of
Watershed Programs
120 employees

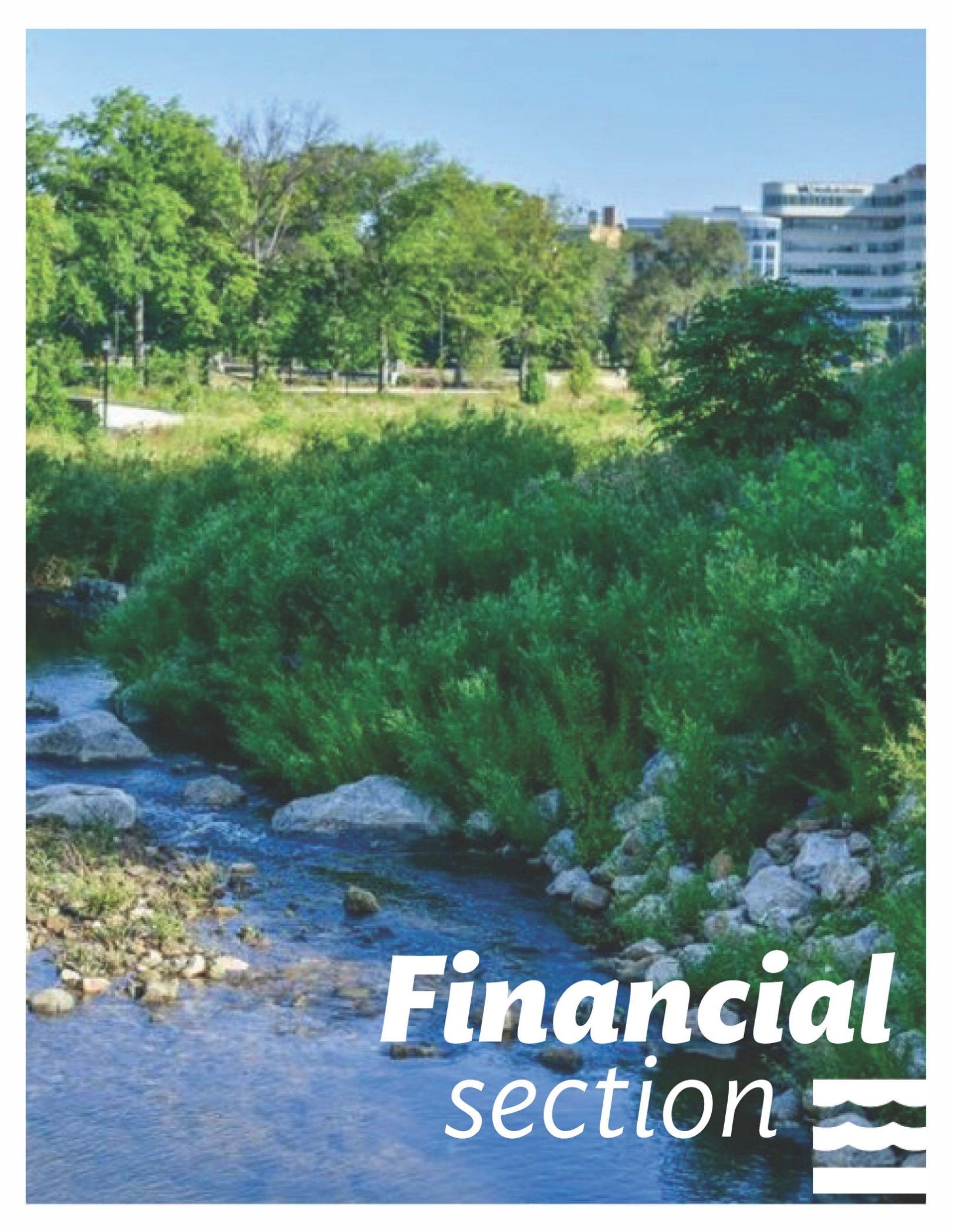


Jeremy Short
Director of
Human Resources
27 employees



Jean Smith
Director of
Administration &
External Affairs
18 employees

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Financial
section



Independent Auditor's Report

Board of Trustees
Northeast Ohio Regional Sewer District
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Northeast Ohio Regional Sewer District (the "District), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 3 to the financial statements, during 2024, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and as a result restated the December 31, 2023 net position of the business-type activities. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and related notes on pages 96 through 98 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Northeast Ohio Regional Sewer District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 30, 2025

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

The following discussion provides a summary overview of the financial activities of the Northeast Ohio Regional Sewer District (the "Sewer District") for the years ended December 31, 2024, 2023 and 2022. This information should be read in conjunction with the letter of transmittal, basic financial statements and notes to those financial statements included in this report.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,371,718,275.
- Net position increased by \$184,789,323.
- Net investment in capital assets increased by \$155,900,706.
- Unrestricted net position increased by \$18,959,861.
- Retirement of debt principal was \$259,361,485, of which \$42,260,000 was for the cash defeasance of 2020 bonds' principal maturities for the years 2045, 2046, and 2047, \$85,210,000 was for the refunding of the outstanding principal of 2010 bonds, and \$71,270,000 was for the refunding of a portion of the 2016, 2017, 2019, 2020, and 2021 bonds.
- Operating revenues increased by \$15,023,297.
- Operating expenses increased by \$4,764,673.

Overview of the Financial Statements

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

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

The following tables provide a summary of the Sewer District's financial position and operations for 2024, 2023, and 2022, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

Condensed Statements of Net Position

December 31,

(In Thousands)

	2024	Restated 2023	2022
Assets			
Current Assets	\$ 687,372	\$ 738,903	\$ 682,486
Capital Assets, Net	3,500,036	3,345,533	3,261,408
Other Noncurrent Assets	184,293	118,467	91,397
Total Assets	4,371,701	4,202,903	4,035,291
Deferred Outflows of Resources			
Pension	30,467	40,309	12,864
OPEB	3,152	6,856	267
Deferred Charge on Refunding	31,724	36,180	38,456
Asset Retirement Obligation	-	-	80
Total Deferred Outflows of Resources	65,343	83,345	51,667
Total Assets and Deferred Outflows of Resources	4,437,044	4,286,248	4,086,958
Liabilities			
Current Liabilities	151,399	129,499	125,045
Long-Term Debt	1,815,120	1,864,072	1,848,714
Net Pension Liability	88,617	95,639	28,718
Net OPEB Liability	-	2,185	-
Compensated Absences, Long-Term	3,162	3,522	-
Lease Liability, Long-Term	407	126	221
Subscription Liability, Long-Term	332	1,030	2,733
Asset Retirement Obligation, Long-Term	-	-	55
Total Liabilities	2,059,037	2,096,073	2,005,486
Deferred Inflows of Resources			
Pension	459	1,736	38,830
OPEB	1,847	859	11,890
Deferred Gain on Bond Refunding	3,370	-	-
Leases	613	651	690
Total Deferred Inflows of Resources	6,289	3,246	51,410
Total Liabilities and Deferred Inflows of Resources	2,065,326	2,099,319	2,056,896
Net Position			
Net Investment in Capital Assets	1,608,102	1,452,201	1,393,173
Restricted - Stormwater Community Cost-Share	43,245	39,135	36,587
Restricted - Net Pension and OPEB Assets	4,968	1,283	13,180
Restricted - Revenue Bond Debt Service Deposit	13,315	11,181	10,150
Unrestricted	702,088	683,129	576,972
Total Net Position	\$ 2,371,718	\$ 2,186,929	\$ 2,030,062

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

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

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statements of net position.

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

The Sewer District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,371,718,275 as of December 31, 2024, of which \$1,608,101,783 is for net investment in capital assets. The largest portion of the Sewer District's net position is reflected in its capital assets, less accumulated depreciation and amortization, and related debt outstanding used to fund these asset acquisitions.

During 2024, the Sewer District implemented GASB Statement No. 101, *Compensated Absences*, which was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Standard impacted net position at December 31, 2023, from \$2,186,833,185 previously reported to \$2,186,928,952. It was determined that the impact of implementing this Standard as of December 31, 2022 would be immaterial and as such, the net position as of December 31, 2022 was not restated but the liability as originally reported was reclassified to a long-term liability for reporting purposes. See Note 3 for more details.

During 2024, net position increased by \$184,789,323. Most of this increase was due to the following:

- Net capital assets increased by \$154,502,324 due to additions to the sewer system and wastewater treatment systems.
- The net OPEB asset increased by \$3,227,578 and the net pension asset increased by \$457,329. The Sewer District's deferred inflows of resources for OPEB increased by \$987,926. Deferred outflows of resources for OPEB decreased by \$3,704,843. The Sewer District is required under GASB 75 to recognize its proportionate share of the OPERS net OPEB liability or asset. The pension and OPEB outflows are subject to many variables beyond the Sewer District's control as these outflows are part of the State pension system's postemployment benefits. OPERS reported a \$903 million OPEB asset as compared to a \$631 million OPEB liability in the prior year.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

- Total long-term obligations decreased by \$58,937,302. There was a \$7,022,677 decrease for the net pension liability and \$2,184,876 in OPEB liability. There was a \$48,951,634 decrease in long-term debt due to debt repayments in excess of new borrowings. Long-term lease liability increased by \$280,168 due to the new lease agreement for parking spaces. Long-term subscription liability decreased by \$698,260 due to fewer years remaining on existing subscriptions and few new subscription agreements entered into during the fiscal year.
- Deferred inflows of resources related to pension decreased by \$1,276,160 and the deferred outflows of resources for pension decreased by \$9,841,490. The change in pension and OPEB inflows are attributed to the change in the system's experience, assumptions, and investment performance as well as the Sewer District's proportionate share. Deferred inflows related to leases decreased by \$38,315 due to the recognition of lease revenue. Deferred inflows related to 2024 bond transactions increased by \$3,369,858.
- The Sewer District performed analysis during fiscal year 2024 of Compensated Absences. Under GASB Statement No. 101, a short-term liability of \$3.2 million and a long-term liability of \$3.2 million were recognized as of December 31, 2024.

During 2023, net position increased by \$156,867,088. Most of this increase was due to the following:

- Net capital assets increased by \$84,124,750 due to construction in progress and additions to the sewer system and wastewater treatment systems.
- The net OPEB asset decreased by \$11,092,801 and the net pension asset decreased by \$803,703. The Sewer District's deferred inflows of resources for OPEB decreased by \$11,031,243. Deferred outflows of resources for OPEB increased by \$6,589,012. The Sewer District is required under GASB 75 to recognize its proportionate share of the OPERS net OBEB liability or asset. The pension and OPEB outflows are subject to many variables beyond the Sewer District's control as these outflows are part of the State pension system's postemployment benefits. OPERS reported a \$631 million OPEB liability as compared to a \$3.1 billion OPEB asset in the prior year. The Sewer District's deferred outflows of resources and liability for asset retirement obligations decreased by \$79,950 due to change in assumptions.
- Total long-term obligations increased by \$86,133,621. There was a \$66,921,051 increase for the net pension liability. There was a \$15,358,018 increase in long-term debt due to new borrowings in excess of debt repayments. There was a \$3,522,107 increase for Compensated Absences recognized under GASB Statement No. 101.
- Deferred inflows of resources related to pension decreased by \$37,094,688 and the deferred outflows of resources for pension increased by \$27,445,234. The change in pension and OPEB inflows are attributed to the change in the system's experience, assumptions, and investment performance as well as the Sewer District's proportionate share. Deferred inflows related to leases decreased by \$38,315 due to the recognition of lease revenue.
- The Sewer District performed analysis during fiscal year 2023 of subscription-based information technology arrangements (SBITAs) that were previously recorded as operating expenses and determined that under GASB Statement No. 96 these agreements resulted in subscription assets of \$4.5 million and \$5.8 million as of December 31, 2023 and 2022, respectively. Additional details are presented in Note 13 of the financial statements.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

- The Sewer District performed analysis during fiscal year 2024 of Compensated Absences. Under GASB Statement No. 101, December 31, 2023 was restated for this Standard, and accordingly, a short-term compensated absences liability of \$2.5 million and a long-term liability of \$3.5 million were recorded. In addition, other accrued liabilities decreased by \$6,139,419 because of this implementation.

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 2024, 2023 and 2022.

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

	2024	Restated 2023	2022
Operating Revenues, Net			
Sewer and Stormwater Service Fees:			
Billing Agents			
City of Cleveland	\$ 427,211	\$ 410,092	\$ 395,981
Other Billing Agents	7,911	7,596	7,456
Total Billing Agents	435,122	417,688	403,437
Direct Billed Sewer and Stormwater Service Fees	33,646	36,244	31,058
Total Sewer and Stormwater Service Fees	468,768	453,932	434,495
Other Operating Revenues:			
Septic Tank and Municipal Sludge Fees	1,502	1,483	800
Miscellaneous	1,493	1,325	1,264
Total Other Operating Revenue	2,995	2,808	2,064
Total Operating Revenues, Net	471,763	456,740	436,559
Non-Operating Revenues			
Interest Revenue	31,420	24,256	7,017
Asset Retirement Obligation, Non-Operating Transaction	-	-	31
Federal Subsidy Revenue	1,415	1,541	1,533
Non-Operating Grant Revenue	7,530	7,810	1,000
Lease Revenue	38	38	38
Gain on Early Lease Termination	-	-	1
Gain on Bond Defeasance	5,362	-	-
Increase (Decrease) in Fair Value of Investments, Net	1,814	4,943	(2,561)
Total Non-Operating Revenues	47,579	38,588	7,059
Total Revenues	519,342	495,328	443,618
Operating Expenses			
Salaries and Wages	66,647	62,108	57,609
Fringe Benefits	24,189	20,231	(4,079)
Utilities	15,332	15,280	11,948
Professional and Contractual Services	47,431	51,288	41,075
Other	13,162	12,228	11,138
Depreciation	92,769	93,631	89,855
Total Operating Expenses	259,530	254,766	207,546
Non-Operating Expenses			
Interest Expense on Long-Term Debt, Leases and Subscriptions	50,355	50,836	52,010
Non-Operating Grant Expense	7,530	7,810	-
Green Infrastructure Program	885	2,113	635
Member Community Infrastructure Community Program	8,414	7,359	6,979
Stormwater Community Cost-Share Disbursement	7,766	11,778	5,296
Loss on Bond Defeasance	-	-	1,112
Loss on Disposals of Equipment	73	3,799	831
Total Non-Operating Expenses	75,023	83,695	66,863
Total Expenses	334,553	338,461	274,409
Change in Net Position	184,789	156,867	169,209
Net Position at Beginning of Year	2,186,929	2,030,062	1,860,853
Net Position at End of Year	\$ 2,371,718	\$ 2,186,929	\$ 2,030,062

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

Operating revenues, net consist mainly of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2024:

- Operating revenues increased by \$15,023,297 (3.3%) compared to 2023. The increase was mainly due to higher sewer and stormwater billing rates in 2024.
- Non-operating revenues increased by \$8,992,105 (23.3%). Non-operating revenues consist of interest revenue, lease revenue, the change in fair value of investments, grant revenue, gain on bond defeasance, and federal subsidy revenue. Interest revenue increased by \$7,163,482 (29.5%) due to higher interest rates on the Sewer District increased investment holdings. Non-operating grant revenue and expense of \$7,530,243 and \$7,525,243, respectively, were recognized in 2024. This is due to the Sewer District receiving grants from the U.S. and Ohio Environmental Protection Agencies, the Ohio Department of Transportation, the Ohio Department of Development, and Congressionally Directed Spending (CDS)/Community Project Funding (CPF) to offset sewer and stormwater project costs. \$38,315 of lease revenue was recognized during 2024. A gain on bond defeasance of \$5,362,385 was also recorded. See Note 7 for details.
- Operating expenses increased by \$4,764,673 (1.9%) compared to 2023. Main components of operating expenses are as follows:
 - Salary and wages increased \$4,539,755 (7.3%) due to previously open job positions being filled and general wage increases.
 - Fringe benefit costs increased by \$3,957,640 (19.6%) from 2023. Most of the increase is due to an increase in healthcare costs. Additionally, this increase is partially due to GASB 101 and the associated liabilities and expense that were recorded for Compensated Absences, and also due to the adjustment related to GASB 68 and GASB 75 that resulted in \$365,638 of additional expense in the current year to record its proportionate share of the OPERS and OPEB liability (asset). As previously stated, OPERS reported a \$903 million OPEB asset as compared to a \$631 million OPEB liability in the prior year.
 - Utilities increased \$51,977 (0.3%) mainly due to usage at the plants.
 - Other operating expenses increased due to the net effect of the changes of its subcategory expenses. The increase is primarily the result of increases in software support and maintenance due to an increase in services needed by Sewer District IT, and an increase in chemicals, materials and supplies, and equipment repair and maintenance due to a general increase in need at the wastewater treatment plants and the impact of inflation.
- Non-operating expenses decreased \$8,671,506 (10.4%) due to decreases in loss on disposal of equipment, stormwater community cost-share reimbursements, green infrastructure payments, grant expense, and interest expense on long-term debt.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

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

- Operating revenues increased by \$20,180,513 (4.6%) compared to 2022. The increase was mainly due to higher sewer and stormwater billing rates in 2023.
- Non-operating revenues increased by \$31,528,832 (446.6%). Non-operating revenues consist of interest revenue, lease revenue, the change in fair value of investments, grant revenue, gain on asset retirement obligation, gain on early lease termination, and federal subsidy revenue. Interest revenue increased by \$17,239,410 (245.7%) due to higher interest rates on the Sewer District increased investment holdings. The fair value of investments for 2023 increased by \$7,503,786 (293.0%) due to the rising interest rates on the Sewer District investment holdings. Non-operating grant revenue and expense of \$7,809,674 was recognized in 2023. This is due to the Sewer District receiving Congressionally Directed Spending (CDS)/Community Project Funding (CPF) to offset sewer and stormwater project costs. \$38,315 of lease revenue was recognized during 2023.
- Operating expenses increased by \$47,219,333 (22.8%) compared to 2022. Main components of operating expenses are as follows:
 - Salary and wages increased \$4,498,681 (7.8%) due to previously open job positions being filled and general wage increases.
 - Professional and contractual services increased \$10,213,274 (24.9%) due to an increase in environmental and ecological assessment services in the Watershed Program, an increase in Diversity, Equity and Inclusion initiatives and affordability programs, and an increase in Stormwater-related projects throughout the year to address stream restoration, culvert repairs, flood prevention projects, and the removal of debris around lakes and river distributaries.
 - Fringe benefit costs increased by \$24,309,844 (596.0%) from 2022. This increase is primarily the result of the adjustment related to GASB 68 and GASB 75 that resulted in \$1,157,749 of additional expense in 2023 to record its proportionate share of the OPERS and OPEB liability (asset). As previously stated, OPERS reported a \$631 million OPEB liability as compared to a \$3.1 billion OPEB asset reported in 2022. Also, during 2024, the Sewer District implemented GASB 101. As a result, there was an increase of \$95,767 in fringe benefit costs.
 - Utilities increased \$3,332,283 (27.9%) mainly due to general increases in power rates in relation to inflation pressure.
 - Other operating expenses increased due to the net effect of the changes of its subcategory expenses. The increase is primarily the result of increases in equipment repair and maintenance and equipment and instrumentation parts due to a general increase in need at the wastewater treatment plants and the impact of inflation.
- Non-operating expenses increased \$16,831,733 (25.2%) due to increases in loss on disposal of equipment, stormwater community cost-share reimbursements, green infrastructure payments, and grant expense. Loss on disposals of equipment increased by \$2,967,917 (357.3%) due to increased disposal activity primarily at the wastewater treatment plants.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Unaudited

Capital Assets

At December 31, 2024, capital asset balances were as follows compared to 2023 and 2022. Refer to Note 6 of the audited financial statements for more detailed information on capital assets.

Capital Assets at December 31, 2024, 2023 and 2022

(Net of Depreciation, in Thousands)

	2024	2023	Restated 2022
Land	\$ 81,290	\$ 75,208	\$ 48,856
Construction in Progress	559,062	606,120	482,769
Interceptor Sewer Lines	1,886,029	1,702,242	1,717,817
Buildings, Structures and Improvements and Equipment	617,010	623,294	645,090
Sewage Treatment and Other Equipment	343,319	323,742	350,173
Right to Use-Intangible	9,776	10,199	10,615
Intangible Right to Use Asset	493	215	313
Intangible Right to Use SBITA Asset	3,057	4,513	5,775
Total	<u>\$ 3,500,036</u>	<u>\$ 3,345,533</u>	<u>\$ 3,261,408</u>

	Amount
Major Additions Placed into Service in 2024, at Cost Included:	
Westerly Storage Tunnel	\$ 152,415
Shoreline Consolidation Sewer	53,490
Westerly Tunnel Dewatering Pump Station	28,659
Easterly PLC Replacement	15,855
District HVAC Upgrade Phase 2	8,229
Chippewa Creek Flood Reduction	7,497
Total Major Additions Placed into Service in 2024	<u>\$ 266,145</u>

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

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

Debt Administration

At December 31, 2024, the Sewer District had total debt outstanding in the amount of \$1,880,014,082. This represents a net decrease of \$45,254,240 for total debt from 2023. This decrease is a net of multiple transactions involving loan activity, bond cash defeasance, bond refunding and bond issuance. The bond cash defeasance transaction defeased outstanding principal in the amount of \$42,260,000 related to 2045, 2046 and 2047 maturities of the 2020 Bonds. The Sewer District also issued \$135,750,000 of Series 2024 Wastewater Improvement Revenue Refunding Bonds to refund the outstanding amount of \$85,210,000 of 2010 Build America Bonds (BABs), \$35,135,000 for the partial refunding of tax-exempt bonds relating to 2016, 2017 and 2019 bonds, and \$36,135,000 were for the partial refunding of taxable bonds related to 2020 and 2021 bonds. Aside from the bond defeasance transactions, total debt payments were \$60,621,485, of which \$9,870,000 was for bond retirement, and \$50,751,485 for retirement of loans. The Sewer District also issued \$62,143,348 in Ohio Water Development Authority loans. The carrying value of the long-term portion of debt on December 31, 2024 was \$1,815,120,074 and the fair value of the long-term debt was \$1,632,140,515. The Sewer District had \$1,498,016 outstanding in subscription liability that comprises of 25 SBITAs in which it is acting as a lessee. In addition, the Sewer District had an outstanding liability of \$498,996 for 2 leases that are comprised of parking spaces and copiers.

At December 31, 2023, the Sewer District had total debt outstanding in the amount of \$1,925,268,922. This represents a net increase of \$14,434,657 for total debt from 2022 mainly due to net change in the Ohio Water Development Authority Water borrowings in excess of retirements. Total debt payments were \$64,332,444, of which \$8,555,000 was for bond retirement, and \$55,777,444 for retirement of loans. The carrying value of the long-term portion of debt on December 31, 2023 was \$1,864,071,708 and the fair value of the long-term debt was \$1,779,300,800. The Sewer District had \$3,247,650 outstanding in subscription liability that comprises of 22 SBITAs in which it is acting as a lessee. In addition, the Sewer District had an outstanding liability of \$220,978 for 2 leases that comprised of parking spaces and copiers.

This information should be read in conjunction with Notes 7, 12 and 13 to the audited financial statements for more detailed information on long-term debt.

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

Outstanding Debt at December 31,
(In Thousands)

	2024	2023	2022
<u>Direct Placement:</u>			
Revenue Bonds	\$ 874,100	\$ 930,746	\$ 941,983
Water Pollution Loans Payable	1,005,915	994,523	968,851
Total Debt Direct Placement	<u>1,880,015</u>	<u>1,925,269</u>	<u>1,910,834</u>
<u>Other Long-Term Obligations:</u>			
Lease Liability	499	221	317
SBITA Liability	1,498	3,248	5,121
Total Other Long-Term Obligations	<u>1,997</u>	<u>3,469</u>	<u>5,438</u>
Total Long-Term Obligations	<u><u>\$ 1,882,012</u></u>	<u><u>\$ 1,928,738</u></u>	<u><u>\$ 1,916,272</u></u>

Economic Factors

On July 15, 2021, the Board approved rate increases scheduled for the years 2022 through 2026 after completing a five-year rate study. As part of the Sewer District's Rate Study, a demand analysis was performed to forecast the usage based on patterns of growth/decline. In this study, the Sewer District used recent trends in demands, population, change in households, employment projects, impact of water conservation and price elasticity. Effective January 1, 2024, sewer rates charged to the Sewer District customers increased to \$120.45 per mcf for City of Cleveland and suburban regular customers and \$72.25 per mcf for Homestead/Rate Reduction customers. The fixed fee was increased to \$10.95 per month for regular customers and \$6.55 per month for Homestead/Rate Reduction customers. In addition, effective January 1, 2024, stormwater fee rate was increased to \$5.84. Effective January 1, 2023, sewer rates charged to the Sewer District customers increased to \$115.60 per mcf for City of Cleveland and suburban regular customers and \$69.35 per mcf for Homestead/Rate Reduction customers. The fixed fee was increased to \$10.50 per month for regular customers and \$6.30 per month for Homestead/Rate Reduction customers. In addition, effective January 1, 2023, stormwater fee rate was increased to \$5.60.

Contacting the Sewer District's Financial Management

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Net Position

December 31, 2024 and 2023

	2024	Restated 2023
Current Assets:		
Cash	\$ 16,531,922	\$ 20,852,540
Sewage Short-Term Investments	408,882,333	445,843,181
Stormwater Short-Term Investments	23,150,143	34,625,877
Stormwater Community Cost-Share, Short-Term Investments	43,244,867	39,134,905
Lease Receivable, Short-Term	27,891	26,455
Lease Interest Receivable	9,005	9,367
Sewage Service Fees Receivable, Less Allowance for Doubtful Accounts of \$23,700,000 in 2024 and \$24,300,000 in 2023	155,349,471	149,307,211
Stormwater Service Fees Receivable, Less Allowance for Doubtful Accounts of \$990,000 in 2024 and \$941,000 in 2023	21,617,074	20,338,214
Receivables from Federal, State and Other Agencies	9,403,663	19,911,588
Inventory, Prepaid Expenses and Other	9,156,070	8,853,175
Total Current Assets	<u>687,372,439</u>	<u>738,902,513</u>
Noncurrent Assets:		
Capital Assets:		
Interceptor Sewer Lines	2,356,233,175	2,141,823,271
Buildings, Structures and Improvements and Equipment	1,295,734,005	1,271,742,167
Sewage Treatment and Other Equipment	728,471,466	680,946,816
Right to Use - Intangible	12,684,961	12,684,961
Intangible Right to Use Asset	676,149	447,688
Intangible Right to Use SBITA Asset	9,028,651	8,164,586
	<u>4,402,828,407</u>	<u>4,115,809,489</u>
Less: Accumulated Depreciation and Amortization	<u>(1,543,144,857)</u>	<u>(1,451,604,105)</u>
	2,859,683,550	2,664,205,384
Land	81,289,686	75,207,783
Construction in Progress	559,062,301	606,120,046
Net Capital Assets	<u>3,500,035,537</u>	<u>3,345,533,213</u>
Long-Term Investments	165,379,854	105,345,101
Lease Receivable, Long-Term	630,371	658,263
Revenue Bond Debt Service Deposit	13,314,884	11,180,997
Net Pension Asset	1,740,561	1,283,232
Net OPEB Asset	3,227,578	-
Total Noncurrent Assets	<u>3,684,328,785</u>	<u>3,464,000,806</u>
Total Assets	4,371,701,224	4,202,903,319
Deferred Outflows of Resources:		
Pension	30,467,314	40,308,804
OPEB	3,151,640	6,856,483
Deferred Charge on Bond Refunding	31,723,934	36,179,465
Total Deferred Outflows of Resources	<u>65,342,888</u>	<u>83,344,752</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,437,044,112</u>	<u>\$ 4,286,248,071</u>

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, 2024 and 2023

	2024	Restated 2023
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 17,100,876	\$ 19,895,714
Construction Contracts and Retainages Payable	46,857,948	26,187,037
Accrued Interest Payable	13,555,937	12,348,701
Other Accrued Liabilities	4,498,938	4,036,233
Compensated Absences Liability, Short-Term	3,232,372	2,521,545
Lease Liability, Short-Term	92,364	94,514
Unearned Grant Revenue, Short-Term	-	1,000,000
Subscription Liability, Short-Term	1,166,309	2,217,683
Current Maturities of Debt	64,894,608	61,197,214
Total Current Liabilities	<u>151,399,352</u>	<u>129,498,641</u>
Noncurrent Liabilities:		
Long-Term Bonds and WPCLF	1,815,120,074	1,864,071,708
Net Pension Liability	88,616,759	95,639,436
Net OPEB Liability	-	2,184,876
Compensated Absences Liability, Long-Term	3,162,084	3,522,107
Lease Liability, Long-Term	406,632	126,464
Subscription Liability, Long-Term	331,707	1,029,967
Total Noncurrent Liabilities	<u>1,907,637,256</u>	<u>1,966,574,558</u>
Total Liabilities	<u>2,059,036,608</u>	<u>2,096,073,199</u>
Deferred Inflows of Resources:		
Pension	459,515	1,735,675
OPEB	1,846,817	858,891
Deferred Gain on Bond Refunding	3,369,858	-
Leases	613,039	651,354
Total Deferred Inflows of Resources	<u>6,289,229</u>	<u>3,245,920</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,065,325,837</u>	<u>2,099,319,119</u>
Net Position:		
Net Investment in Capital Assets	1,608,101,783	1,452,201,077
Restricted - Stormwater Community Cost-Share	43,244,867	39,134,905
Restricted - Net Pension and OPEB Assets	4,968,139	1,283,232
Restricted - Revenue Bond Debt Service Deposit	13,314,884	11,180,997
Unrestricted	702,088,602	683,128,741
Total Net Position	<u>\$ 2,371,718,275</u>	<u>\$ 2,186,928,952</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, 2024 and 2023

	2024	Restated 2023
Operating Revenues - Sewage:		
Billing Agents	\$ 384,964,227	\$ 370,053,920
Direct Billed	32,626,179	35,293,213
Other	2,977,387	2,776,430
Total Operating Revenues - Sewage	420,567,793	408,123,563
Operating Revenues - Stormwater:		
Billing Agents	50,157,925	47,634,058
Direct Billed	1,019,956	950,984
Other	17,327	31,099
Total Operating Revenues - Stormwater	51,195,208	48,616,141
Total District's Operating Revenues, Net	471,763,001	456,739,704
Operating Expenses - Sewage:		
Salaries and Wages	62,892,971	58,488,877
Fringe Benefits	23,575,506	19,401,161
Utilities	15,332,049	15,280,072
Professional and Contractual Services	26,312,228	25,823,412
Other	12,984,308	12,095,496
Stormwater Indirect Cost Allocation	(4,487,086)	(4,259,987)
Depreciation and Amortization	92,705,087	93,631,020
Total Operating Expenses - Sewage	229,315,063	220,460,051
Operating Expenses - Stormwater:		
Salaries and Wages	3,754,439	3,618,778
Fringe Benefits	612,909	829,614
Professional and Contractual Services	21,118,915	25,465,209
Other	177,516	131,762
Stormwater Indirect Cost Allocation	4,487,086	4,259,987
Depreciation and Amortization	64,146	-
Total Operating Expenses - Stormwater	30,215,011	34,305,350
Total District's Operating Expenses	259,530,074	254,765,401
Operating Income	212,232,927	201,974,303
Non-Operating Revenues (Expenses):		
Interest Revenue	31,419,548	24,256,066
Lease Revenue	38,315	38,315
Increase in Fair Value of Investments, Net	1,814,296	4,942,718
Non-Operating Grant Revenue	7,530,243	7,809,674
Non-Operating Grant Expenses	(7,530,243)	(7,809,674)
Green Infrastructure Program	(884,873)	(2,113,331)
Member Community Infrastructure Program	(8,414,483)	(7,358,999)
Stormwater Community Cost-Share Disbursement	(7,766,310)	(11,778,041)
Loss on Disposals of Equipment, Net	(72,960)	(3,798,520)
Gain on Cash Defeasance	5,362,385	-
Interest Expense on Long-Term Debt, Leases and Subscriptions	(50,354,828)	(50,836,638)
Federal Subsidy Revenue	1,415,306	1,541,215
Total Non-Operating Revenues (Expenses), Net	(27,443,604)	(45,107,215)
Change in Net Position	184,789,323	156,867,088
Net Position at Beginning of Year - Restated, See Note 3	2,186,928,952	2,030,061,864
Net Position at End of Year	\$ 2,371,718,275	\$ 2,186,928,952

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, 2024 and 2023

	2024	Restated 2023
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 463,407,195	\$ 448,963,481
Cash Payments to Suppliers for Goods and Services	(96,088,414)	(93,519,701)
Cash Payments to Employees for Services	(89,656,677)	(82,480,111)
Net Cash Provided by Operating Activities	<u>277,662,104</u>	<u>272,963,669</u>
Cash Flows From Investing Activities		
Purchases of Investments	(635,854,685)	(478,368,615)
Proceeds from Maturities of Investments	620,457,918	413,463,489
Interest on Investments	30,820,622	22,962,729
Net Cash Provided (Used) by Investing Activities	<u>15,423,855</u>	<u>(41,942,397)</u>
Cash Flows From Non-Capital Financing Activities		
Grant Payments	(7,530,243)	(7,809,673)
Grant Proceeds	8,662,608	6,672,308
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,132,365</u>	<u>(1,137,365)</u>
Cash Flows From Capital and Related Financing Activities		
Principal Payments on Long-Term Debt, Leases and Subscriptions	(63,382,527)	(67,052,121)
Interest Payments on Long-Term Debt, Leases and Subscriptions	(43,445,864)	(48,124,067)
Cash Defeasance to Net Escrow Account	(34,961,291)	-
Bond Refunding to Net Escrow Account	(157,457,884)	-
Proceeds from 2024 Bonds	135,750,000	-
Proceeds from Premium and Deferred Gain on 2024 Bonds	20,710,475	-
Proceeds from Water Pollution Control Loans	69,632,329	77,512,630
Proceeds on Sale of Capital Assets	52,191	46,501
Acquisition and Construction of Capital Assets	(225,436,371)	(179,683,695)
Net Cash Used by Capital and Related Financing Activities	<u>(298,538,942)</u>	<u>(217,300,752)</u>
Net (Decrease) Increase in Cash	(4,320,618)	12,583,155
Cash at Beginning of Year	20,852,540	8,269,385
Cash at End of Year	<u><u>\$ 16,531,922</u></u>	<u><u>\$ 20,852,540</u></u>

Continued

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statements of Cash Flow (Continued)

For the Years Ended December 31, 2024 and 2023

	2024	Restated 2023
Reconciliation of Operating Income to Cash Provided By Operating Activities:		
Operating Income	\$ 212,232,927	\$ 201,974,303
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	92,769,233	93,631,020
Allowance for Doubtful Accounts	551,000	677,000
Stormwater Community Cost Share Disbursement	(7,766,310)	(11,778,041)
Member Community Infrastructure Program Disbursement	(8,414,483)	(7,358,999)
Green Infrastructure Program Disbursement	(884,873)	(2,113,331)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(8,933,623)	(8,478,634)
Deferred Outflows of Resources - Pension	9,841,490	(27,445,234)
Deferred Inflows of Resources - Pension	(1,276,160)	(37,094,688)
Deferred Outflows of Resources - OPEB	3,704,843	(6,589,012)
Deferred Inflows of Resources - OPEB	987,926	(11,031,243)
Compensated Absences Liability	350,803	190,883
Net Pension Asset	(457,329)	803,703
Net OPEB Asset	(3,227,578)	11,092,801
Net Pension Liability	(7,022,677)	66,921,051
Net OPEB Liability	(2,184,876)	2,184,876
Inventory and Prepaid Expenses	(302,895)	(94,709)
Lease Receivable	26,817	25,411
Accounts Payable and Other Accrued Liabilities	(2,332,131)	7,446,512
Total Adjustments	65,429,177	70,989,366
Net Cash Provided by Operating Activities	\$ 277,662,104	\$ 272,963,669
Supplemental Schedule of Non-Cash Investing, Capital and Relating Financing Activities		
Long-Term Debt (Decreased) Increased for Receivables from State Agencies in Connection with Water Pollution Control Loans	\$ (9,306,771)	\$ 878,799
Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans	\$ 1,817,790	\$ 3,057,345
Capital Assets Increased due to Capitalized Costs, Recorded Accounts Payable and Asset Reclassifications	\$ 20,670,911	\$ 1,166,301
Increase in Fair Value of Investments, Net	\$ 1,814,296	\$ 4,942,718
Amortization of Deferred Charge on Bond Refunding	\$ 2,119,017	\$ 2,276,328
Amortization of Deferred Gain on Bond Refunding	\$ (37,778)	\$ -
Amortization of Bond Premium and Discount	\$ (3,066,324)	\$ (2,681,673)
Acquisition of Right-to-Use Asset from SBITAs	\$ 914,054	\$ 750,795
Acquisition of Right-to-Use Asset from Leases	\$ 375,742	\$ -

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, 2024 and 2023

Note 1: Reporting Entity

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies

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

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

Basis of Presentation

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

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

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

Measurement Focus

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

Basis of Accounting

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Cash Equivalents and Investments

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

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

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

For the year ended December 31, 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Short-Term Investments

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

Fair Value of Financial Instruments

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

Cash

The carrying value approximates fair value due to the short maturity of this financial instrument.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Investments

The carrying value of the Sewer District's investments in U.S. Treasury Securities, City of Cincinnati, New York City, State of California Bonds, and obligations of Federal Agencies is fair value in accordance with the application of GASB Statement No. 31.

Long-Term Debt

The fair value of the Sewer District's long-term debt is estimated based on the borrowing rates currently available to the Sewer District for loans with comparable maturities. The estimated fair value of the Sewer District's long-term debt, net of the current portion, at December 31, 2024 was \$1,632,140,515. The estimated fair value of the Sewer District's long-term debt, net of the current portion, at December 31, 2023 was \$1,779,300,800.

Compensated Absences

The Sewer District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon the separation from employment. Based on the criteria listed, two types of leaves qualify for liability recognition for compensated absences - vacation and paid time off. The liability for compensated absences is reported as incurred in the Statements of Net Position. The liability for compensated absences includes salary related benefits, such as Medicare and Defined Contribution Benefit pension plan.

Vacation

The Sewer District's policy permits full-time employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. Eligible employees accrue vacation based on years of service up to 3-year maximum carryover allowable based on pay group policies and contract bargaining agreements. As of January 1, 2024, all union employees moved to paid time off (PTO) plans and any unused vacation was converted to available PTO.

Paid Time Off

The Sewer District offers paid time off (PTO) to eligible employees. All employees assigned to a PTO plan are eligible to use PTO upon hire, subject to department rules and approval. PTO accrual begins on the first day of employment and is based on years of service and accrual plan. Unused PTO is eligible for payment at the employee's current pay rate upon separation of employment. Employees may carry over a maximum of up to and including three (3) times the amount of their yearly PTO available. As of January 1, 2024, all union and non-union employees were on PTO plans, and any unused vacation for union employees was converted to available PTO.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

Sick Leave

Prior to January 1, 2024, at the beginning of each year, the Sewer District credited employees paid sick hours which were only eligible to be taken during the calendar year they were granted. Unused sick leave was not available for payout at separation of employment, unless otherwise specified in collective bargaining agreements (CBAs). Sick leave did not carry over to subsequent years. Thus, sick leave was excluded from the calculations for Compensated Absences. As of January 1, 2024, union employees moved to paid time off (PTO) plans and unused sick leave was paid out.

Long-Term Investments and Restricted Accounts

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

Long-Term Investments

At December 31, 2024 and 2023, these funds consisted of U.S. Treasury Securities, City of Cincinnati, New York City, State of Texas and California Bonds, and obligations of Federal agencies. They may be used to finance construction expenditures approved by the Board. Under certain circumstances, the funds may be used for repayment of principal and interest costs on the 2010 Series Wastewater Improvement Revenue Bonds, the 2014 Series Wastewater Improvement Revenue Bonds, the 2016 Series Wastewater Improvement Revenue Refunding Bonds, the 2017 Series Wastewater Improvement Revenue Refunding Bonds, the 2019 Series Wastewater Improvement Revenue Refunding Bonds, the 2020 Series Wastewater Improvement Revenue Refunding Bonds, the 2021 Series Wastewater Improvement Revenue Refunding Bonds and the 2024 Series Wastewater Improvement Revenue Refunding Bonds.

Revenue Bond Debt Service Deposit

These amounts represent advance deposits made to the Sewer District's bond trustee for principal and interest payments on revenue bonds. Investments at December 31, 2024 and 2023 consisted of direct obligations of the United States Government and 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 uncollectible. The allowance is based on aged accounts receivable, historical collection rates, economic trends, and current year operating revenues. The allowance amounts are \$24,690,000 and \$25,241,000 at December 31, 2024 and 2023, 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, 2024 and 2023

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. The Sewer District maintains a capitalization threshold of \$25,000. Major renewals and betterments are capitalized; the costs of normal improvements and repairs that do not add to the value of the assets or materially extend an asset's life are expensed as incurred. All reported capital assets except for land and construction in progress are depreciated. Major renewals and betterments are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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

Bond Premiums

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

Bond Discounts

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Sewer District, deferred inflows of resources include changes in net pension, net OPEB obligations, gain on bond refunding, and leases. Deferred inflows of resources related to pensions and OPEB are explained in Notes 8 and 9, respectively, is being amortized as a component of interest expense. Deferred inflows of resources related to gain on bond refunding is amortized over the life of the old or new debt, whichever is shorter, using the effective-interest method and is presented as deferred inflows of resources on the statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources (continued)

The deferred inflow for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Sewer District, deferred outflows of resources are reported on the statements of net position as deferred charge on bond refunding, future pension, and other postemployment benefit (OPEB) obligations. The deferred outflows of resources related to pension and OPEB plans are explained, respectively, in Note 8 and Note 9. On the Sewer District financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective-interest method and is presented as deferred outflows of resources on the statements of net position.

Pension/OPEB Liability (Asset)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/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.

Net Position

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Net Position (continued)

This category represents Stormwater cash that is Board-restricted for the Community Cost-Share Program. The third category is the restricted portion of net position related to the net pension/OPEB asset associated with pension/OPEB plans. The fourth category is the restricted portion for the advance deposits made to the Sewer District's bond trustee for principal and interest payments on revenue bonds. The fifth category is the unrestricted portion of net position, which consists of all assets that do not meet the definition of either of the other four categories of net position. The Sewer District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Sewer District's Board adopted a reserve policy in July 2009 that annually designates amounts of the Sewer District's unrestricted net position as Board-designated for specific purposes. Such amounts are not restricted and may be designated for other purposes or eliminated at the discretion of the Board. A summary of reserve amounts that have been designated by the Board at December 31, 2024 and 2023 follows:

	2024	2023
General Operating Reserve	\$ 37,602,675	\$ 35,123,894
Equipment Repair and Replacement Reserve	68,269,563	64,101,985
Insurance Reserve	16,952,881	16,763,532
Rate Stabilization Account	18,000,000	18,000,000
Capital Project Account	428,905,213	449,601,594

During 2024, the General Operating Reserve increased by \$2,478,781 due to the increase in the operating budget compared to 2023. The Equipment Repair and Replacement Reserve increased \$4,167,578 due to interest allocated to this reserve account and no transfers out of this account during 2024. The Insurance Reserve had a net increase of \$189,349 due to interest earned in excess of insurance premiums and claims paid. The Rate Stabilization account stayed the same compared to 2023. The Capital Project account decreased by \$20,696,381 due to capital expenditures which were greater than transfers and interest into this account during 2024.

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

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 \$6,026,313 in 2024 and \$4,982,721 in 2023. Operating expenses include the cost of these sewer and stormwater services, including administrative expenses and depreciation on capital assets.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Revenues and Expenses (continued)

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, 2024 and 2023 are unbilled sewage service fees of \$24,564,825 and \$24,596,449, respectively. Included in stormwater service fees receivable at December 31, 2024 and 2023 are unbilled stormwater service fees of \$2,376,880 and \$2,166,090, respectively.

On July 15, 2021, the Board approved rate increases scheduled for the years 2022 through 2026 after completing a five-year rate study. As part of the Sewer District's Rate Study, a demand analysis was performed to forecast the usage based on patterns of growth/decline. In this study, the Sewer District used recent trends in demands, population, change in households, employment projects, impact of water conservation and price elasticity. Effective January 1, 2024, rates charged to the Sewer District customers increased to \$120.45 per mcf for City of Cleveland and suburban regular customers and \$72.25 per mcf for Homestead/Rate Reduction customers. Also, effective January 1, 2024, the fixed fee was increased to \$10.95 per month for regular customers and \$6.55 per month for Homestead/Rate Reduction customers. In addition, effective January 1, 2024, stormwater fee rate was increased to \$5.84.

Interest Expense

It is the Sewer District's intention that all expenses, including interest incurred in connection with financing the construction of new facilities, be recovered on a current basis. The annual budget process is governed by a number of factors, including the 2010 Wastewater Improvement Revenue Bond Resolution, the 2014 Wastewater Improvement Revenue Bond Resolution, the 2016 Wastewater Improvements Revenue Refunding Bond Resolution, the 2017 Wastewater Improvements Revenue Refunding Bond Resolution, the 2019 Wastewater Improvements Revenue Refunding Bond Resolution, the 2020 Wastewater Improvements Revenue Refunding Bond Resolution, the 2021 Wastewater Improvements Revenue Refunding Bond Resolution, and the 2024 Wastewater Improvements Revenue Refunding Bond Resolution which requires that the current year "net revenues" be at least 115.0% of its debt service requirements.

As the Sewer District does not intend that interest costs be recovered from subsequent years' revenue, it has excluded interest as an allowable cost for future rate-making purposes. Therefore, all interest is expensed but is included as non-operating on the statements of revenues, expenses and changes in net position as incurred. For the years ended December 31, 2024 and 2023, \$1,392 and \$1,153, respectively, is recorded in lease interest expense and included in non-operating expenses. During 2023, the Sewer District implemented GASB 96, "Subscription-Based Information Technology Arrangements", because of which, the Sewer District recognized \$54,564 in interest expense for the year ended December 31, 2024, and \$74,069 for the year ended December 31, 2023. Please refer to Notes 12 and 13 for details.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Unearned Revenue

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

Use of Estimates

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Sewer District Administration and that are either unusual in nature or infrequent in occurrence. The Sewer District had no extraordinary or special items during the years ended December 31, 2024 and 2023.

Accounting Policy – Lessee

With the exception of short-term leases, when the Sewer District is a lessee in noncancellable lease arrangements the Sewer District recognizes a lease liability and an intangible right-to-use asset in the financial statements. The Sewer District recognizes lease liabilities with an initial, individual value of \$25,000 or more. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract. At the commencement of a lease, the Sewer District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Accounting Policy – Lessee (continued)

Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the Sewer District determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

Accounting Policy – Lessor

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 2: Summary of Significant Accounting Policies (continued)

Accounting Policy – Lessor (continued)

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

Accounting Policy – Subscription-Based Information Technology Arrangements

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 3: New Accounting Pronouncements and Change in Accounting Policies

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

During 2024, the Sewer District implemented GASB Statement No. 101, *Compensated Absences*. This statement was issued in June of 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

The implementation of Statement No. 101 required the Sewer District to review the policies and amounts associated with Compensated Absences, and to recalculate the associated liabilities as of January 1, 2023. The impact to net position as of January 1, 2023 was deemed immaterial.

For the year ending December 31, 2023, this implementation had the following impact:

	Amounts
Net Position at December 31, 2023, as previously reported	\$ 2,186,833,185
Adjustments to 2023:	
Increase in Short-Term Compensated Absences	(2,521,545)
Increase in Long-Term Compensated Absences	(3,522,107)
Reduction in Other Accrued Liabilities	6,139,419
Net Change to Ending Net Position	95,767
Restated Ending Net Position December 31, 2023	\$ 2,186,928,952
Change in Net Position as Previously Reported, December 31, 2023	\$ 156,771,321
Adjustments during 2023:	
Operating Expense: Fringe Benefits	95,767
Net Change to Ending Net Position	95,767
Restated Change in Net Position, at December 31, 2023	\$ 156,867,088

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

For 2024 and 2023, the Sewer District updated its policy for the treatment of the Revenue Bond Debt Service Deposit in the classification of net position. The Sewer District believes this will provide a better representation of the net position of the Sewer District and this policy change did not have any impact on total net position. For 2023, the reclassification had the following impact at year-end:

Adjustments to 2023:

Net investment in capital assets – reduced	\$ (11,180,997)
Restricted – Revenue Bond Debt Service Deposit – Increased	<u>11,180,997</u>
Net change in net position	\$ _____

Newly Issued Accounting Pronouncements, Not Yet Adopted

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

GASB Statement No. 103, *Financial Reporting Model Improvements* was issued in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability (MD&A, unusual and infrequent items, Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position, Budgetary Comparison Information). This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* was issued in September 2024. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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, 2024, the carrying amount of the Sewer District's deposits was \$16,531,922 and the bank balance was \$18,809,575. Of the bank balance, \$250,000 was covered by Federal depository insurance and \$18,559,575 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). At December 31, 2023, the carrying amount of the Sewer District's deposits was \$20,852,540 and the bank balance was \$24,022,294. Of the bank balance, \$250,000 was covered by Federal depository insurance and \$23,772,294 was covered by collateral held by the OPCS (Ohio Pooled Collateral System). The Sewer District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or be protected by: eligible securities pledged to the Sewer District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participating in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions. The OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

The Sewer District's investment policies are currently governed by its Series 2010, 2014, 2016, 2017, 2019, 2020, 2021 and 2024 Wastewater Improvement Revenue Bond Resolution (the "Resolution") as permitted by State statute. The Resolution allows the Sewer District to purchase certain instruments, including obligations of the U.S. Treasury, its agencies and instrumentalities, interest-bearing demand or time deposits, repurchase agreements and, in certain situations, pre-refunded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed one year and must be collateralized by obligations of the U.S. Government or its agencies which are held by a third-party custodian. The investments included in the Revenue Bond Debt Service Deposit are governed by the provisions of a trust agreement which provides for interest and principal payments on the 2010, 2014, 2016, 2017, 2019, 2020, 2021 and 2024 Series Bonds.

At December 31, 2024, the Sewer District's investment balances and maturities were as follows:

Investment Type	Fair Value	% of Total	Maturities (in years)	
			Less than 1	1 through 5
U.S. Treasury Notes	\$ 242,117,530	37%	\$ 144,130,706	\$ 97,986,824
State Treasury Asset Reserve	254,137,464	39%	254,137,464	-
Federal National Mortgage Association	4,951,340	1%	4,951,340	-
U. S. Treasury Bills	39,355,400	6%	39,355,400	-
Federal Home Loan Bank	50,365,630	8%	20,336,236	30,029,394
City and State Bonds	9,537,179	1%	2,999,247	6,537,932
Federal Farm Credit Bank	51,071,854	8%	20,246,150	30,825,704
Huntington Contractor Escrow	2,119,430	0%	2,119,430	-
Dreyfus Cash Management	316,254	0%	316,254	-
Total	<u>\$ 653,972,081</u>		<u>\$ 488,592,227</u>	<u>\$ 165,379,854</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 4: Deposits and Investments (continued)

Investments (continued)

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

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

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Sewer District's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest-bearing demand or time deposits, State Treasury Asset Reserve (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, 2024 and 2023, the Sewer District's investment in U.S. instrumentalities consisted of U.S. Treasury notes and bills, Federal National Mortgage Association, Federal Home Loan Bank, City of Cincinnati, New York City, State of Texas and California Bonds, and Federal Farm Credit Bank. For both years, these investments were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in U.S. Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The Investments in STAR Ohio and Bank of New York were rated Aaa by Standard & Poor's and Aaa by Moody's Investors Service.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 4: Deposits and Investments (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Sewer District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Sewer District to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. At December 31, 2024, the Sewer District's investment in U.S. agencies with fair values totaling \$106,388,824 has maturities of \$45,533,726 in less than one year and \$60,855,098 within five years. U.S. agencies are held in the accounts of Huntington Bank and PNC National Bank (Trustees), at the Federal Reserve Bank of Cleveland. At December 31, 2023, the Sewer District's investment in U.S. agencies with fair values totaling \$88,616,907 has maturities of \$33,603,547 in less than one year and \$55,013,360 within five years. U.S. agencies are held in the accounts of Huntington Bank and PNC National Bank (Trustees), at the Federal Reserve Bank of Cleveland. At December 31, 2024 and 2023, the Sewer District's securities associated with the principal and interest payment of bond obligations in the amounts of \$13,314,884 and \$11,180,997, respectively, are held in the account of Bank of New York under the Master Trust Agreement. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Sewer District's investment policy provides that investments be diversified to reduce the risk of loss from overconcentration in a single issuer but does not identify specific limits on the amounts that may be invested. As of December 31, 2024 and 2023, more than five percent of the Sewer District's investments are in Federal Farm Credit Bank, Federal Home Loan Bank, U.S. Treasury Notes and STAR Ohio.

Note 5: Transactions with the City of Cleveland

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

Table below includes a summary of sewer and stormwater billing and collection transactions between the City and the Sewer District for the years ended December 31, 2024 and 2023:

	2024	2023
Amounts due from the Sewer District customers at beginning of year for invoices rendered by the City	\$ 153,550,179	\$ 149,520,550
Amounts billed to the Sewer District customers by the City during the year	432,185,560	416,177,013
Cash collected from the Sewer District customers by the City and remitted to the Sewer District during the year	(408,990,244)	(397,004,142)
Write off of inactive accounts	(8,535,338)	(5,659,721)
Cash collected directly by the Sewer District on invoices rendered by the City and other adjustment	(6,517,402)	(9,483,521)
Balance due from customers at end of year, included in service fees receivable before allowance for doubtful accounts	\$ 161,692,755	\$ 153,550,179

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

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

Fees paid to the City for billing and collection services in 2024 and 2023 were \$9,883,935 and \$9,617,136, respectively; of which, \$819,787 for 2024 and \$794,798 for 2023 are included in accounts payable on the Sewer District's statements of net position.

Note 6: Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Non-depreciable Capital Assets:					
Land	\$ 75,207,783	\$ 4,307	\$ -	\$ 6,077,596	\$ 81,289,686
Construction in Progress	606,120,046	240,677,898	-	(287,735,643)	559,062,301
Total Non-depreciable Capital Assets	681,327,829	240,682,205	-	(281,658,047)	640,351,987
Depreciable Capital Assets:					
Interceptor Sewer Lines	2,141,823,271	35,640	-	214,374,264	2,356,233,175
Buildings, Structures and Improvements and Equipment	1,271,742,167	413,951	-	23,577,887	1,295,734,005
Sewage Treatment and Other Equipment	680,946,816	4,975,116	(1,156,362)	43,705,896	728,471,466
Right to Use-Intangible (*)	12,684,961	-	-	-	12,684,961
Intangible Right to Use - Property and Equipment	447,688	375,742	(147,281)	-	676,149
Right to Use- SBITA Asset (**)	8,164,586	914,054	(49,989)	-	9,028,651
Total Depreciable Capital Assets	4,115,809,489	6,714,503	(1,353,632)	281,658,047	4,402,828,407
Total Historical Cost	4,797,137,318	247,396,708	(1,353,632)	-	5,043,180,394
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(439,580,787)	(30,623,583)	-	-	(470,204,370)
Buildings, Structures and Improvements and Equipment	(648,447,991)	(30,276,069)	-	-	(678,724,060)
Sewage Treatment and Other Equipment	(357,205,271)	(29,021,140)	1,074,477	-	(385,151,934)
Right to Use-Intangible (*)	(2,485,964)	(423,190)	-	-	(2,909,154)
Intangible Right to Use - Property and Equipment	(232,992)	(97,671)	147,281	-	(183,382)
Intangible Right to Use SBITA Asset (**)	(3,651,100)	(2,327,580)	6,723	-	(5,971,957)
Total Accumulated Depreciation	(1,451,604,105)	(92,769,233)	1,228,481	-	(1,543,144,857)
Capital Assets, Net	<u>\$ 3,345,533,213</u>	<u>\$ 154,627,475</u>	<u>\$ (125,151)</u>	<u>\$ -</u>	<u>\$3,500,035,537</u>
Depreciation Expense Charged to Operating Expenses		\$ 90,343,982			
Amortization Expense, Leases		97,671			
Amortization Expense, SBITA Assets		2,327,580			
		<u>\$ 92,769,233</u>			

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 6: Capital Assets and Depreciation (continued)

(*) During 2021, the Sewer District acquired an intangible asset due to an agreement with FirstEnergy. Per this agreement, the Sewer District has the right to use the power provided from the FirstEnergy substation at the Sewer District's Southerly Plant, which was constructed by the Sewer District, but is owned by FirstEnergy. The construction of the substation was completed in 2021 and capitalized. The asset's original cost basis is \$7,179,387 as of December 31, 2024, and 2023. Below is a schedule of the amounts to be expensed in future years:

<u>Year Ending December 31,</u>	<u>Amortization Amount</u>
2025	\$ 239,821
2026	239,821
2027	239,821
2028	239,821
2029	239,821
2030-2034	1,199,106
2035-2039	1,199,106
2040-2044	1,199,106
2045-2049	1,199,106
2050-2051	479,641
	<u>\$ 6,475,170</u>

(*) During 2012, the Sewer District acquired an intangible asset due to an agreement with the City of Cleveland Department of Public Utilities Division of Cleveland Public Power. Per this agreement, the Sewer District has the right to use the power provided from the Nine Mile Creek substation, which was constructed by the Sewer District, but is owned by the City. The construction of the substation was completed in 2012 and capitalized; there were minor subsequent costs in the following years. The asset's original cost basis is \$5,505,574 as of December 31, 2024 and 2023. Below is a schedule of the amounts to be expensed in future years:

<u>Year Ending December 31,</u>	<u>Amortization of Intangible Asset</u>
2025	\$ 183,369
2026	183,369
2027	183,369
2028	183,369
2029	183,369
2030-2034	916,843
2035-2039	916,843
2040-2044	550,106
	<u>\$ 3,300,637</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 6: Capital Assets and Depreciation (continued)

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 6: Capital Assets and Depreciation (continued)

Asset Retirement Obligation

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

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

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

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

Southerly Building Demolitions – The Sewer District has identified eight (8) buildings at the Southerly wastewater treatment plant, primarily having 40-year original useful lives. The buildings have regulatory requirements to be met for hazardous materials and radiation scanning upon demolition. The methods and assumptions used to determine the liability associated with the buildings were based on a cost estimate prepared by an outside engineering firm in March 2021. The associated retirement costs are being amortized utilizing a straight-line method over the average estimated useful lives of the buildings. For the years ended December 31, 2024 and 2023, the average estimated useful lives range from three to five years. During 2023, the Sewer District's ARO estimate was reviewed by its engineers and was determined that the remaining ARO liability of \$79,950 should be removed from the books. At December 31, 2024 and 2023, the ARO related to the buildings was \$0.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations

A summary of long-term debt outstanding at December 31, 2024 and 2023 follows:

	Interest Rate	2024	2023
Wastewater Improvement Revenue, Bonds, Series 2010:			
Serial Bonds Maturing 2026 through 2040	5.44%-6.04%	\$ -	\$ 85,210,000
Wastewater Improvement Revenue, Bonds, Series 2014:			
Serial Bonds Maturing 2017 through 2049	1.75%-5.00%	-	3,885,000
Wastewater Improvement Revenue, Refunding Bonds, Series 2016:			
Serial Bonds Maturing 2017 through 2036	3.00%	14,430,000	21,075,000
Wastewater Improvement Revenue Refunding Bonds, Series 2017:			
Serial Bonds Maturing 2019 through 2043	3.00-5.00%	234,965,000	238,010,000
Wastewater Improvement Revenue Refunding Bonds, Series 2019:			
Serial Bonds Maturing 2033 through 2040	3.00%-4.00%	217,085,000	245,005,000
Wastewater Improvement Revenue Refunding Bonds, Series 2020:			
Serial Bonds Maturing 2020 through 2049	1.66%-3.30%	142,985,000	204,225,000
Wastewater Improvement Revenue Refunding Bonds, Series 2021:			
Serial Bonds Maturing 2021 through 2046	0.21%-2.77%	88,855,000	109,520,000
Wastewater Improvement Revenue Refunding Bonds, Series 2024:			
Serial Bonds Maturing 2024 through 2046	2.27%-3.53%	135,750,000	-
Water Pollution Control Loans Payable Through 2060	0.00%-3.99%	1,005,914,751	994,522,888
Total Debt		1,839,984,751	1,901,452,888
Less: Current Maturities		(64,894,608)	(61,197,214)
Bond Premium and Discount, Net		40,029,931	23,816,034
Total Long-Term Debt		\$ 1,815,120,074	\$ 1,864,071,708

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

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

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

Build America Bonds Subsidy

Under the Build America Bonds agreement, the Sewer District is to receive 35.0% of the Bond interest as the Build America Bonds Subsidy. Future payments may also be reduced by Congress on an annual basis. The subsidy payment amounts received in 2024 and 2023 were \$1,544,002 and \$1,541,215, respectively, which is a reduction of \$77,799 and \$80,587, respectively, due to the recent sequester by Congress. On October 16, 2024, the Sewer District advance refunded the remaining amount of \$85,210,000 of the 2010 Wastewater Improvement Revenue Bonds, therefore, there will be no more future payments related to these bonds.

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

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

The bond indenture required, among other provisions, that the Sewer District establish certain debt service funds, maintain the system in good operating condition, and charge rates such that the necessary debt service payments can be made after operation and maintenance charges have been paid. These bonds were paid off as of December 31, 2024.

Wastewater Improvement Revenue Refunding Bonds, Series 2016

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

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

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

Wastewater Improvement Revenue Refunding Bonds, Series 2017

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2017 (continued)

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

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

Wastewater Improvement Revenue Refunding Bonds, Series 2019

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

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

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

Wastewater Improvement Revenue Refunding Bonds, Series 2020

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Refunding Bonds, Series 2020 (continued)

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

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

Wastewater Improvement Revenue Refunding Bonds, Series 2021

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

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

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

Wastewater Improvement Refunding Revenue Bonds, Series 2024

On October 16, 2024, the Sewer District issued \$135,750,000 of Wastewater Improvement Refunding Revenue Bonds, Series 2024 (the "2024 Series Bonds"), in connection with the refunding of the 2010, 2016, 2017, 2019, 2020, and 2021 Series Bonds. The 2024 Series Bonds are payable from the revenues of the Sewer District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues include all revenues (with certain exceptions) derived by the Sewer District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Refunding Revenue Bonds, Series 2024 (continued)

Upon the occurrence of an event of default, the Trustee may declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued hereon to be due and payable immediately, whereupon that portion of the principal of the Series 2024 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 2024 Bonds to the contrary notwithstanding.

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

Water Pollution Control Loans Fund

Title VI of the Clean Water Act, as amended, authorizes the Administrator of the U.S. Environmental Protection Agency to make Federal capitalization grants to states for deposit in state water pollution control revolving funds (SRFs). From these funds, states can provide loans and other types of financial assistance. In Ohio, this SRF program is known as the Water Pollution Control Loan Fund and is jointly administered by the Ohio EPA and the Ohio Water Development Authority. These loans are subordinate to the 2016, 2017, 2019, 2020 2021 and 2024 Series Bonds and are payable from the revenues of the Sewer District, after payment of operating and maintenance costs and are secured by a pledge of and lien on such net revenues. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project.

The Sewer District is required to submit final eligible project costs within one year of the project completion date at which time the final loan amount is determined, and semi-annual payment amounts are adjusted to reflect such costs. The Sewer District had a SRF loan award related to a project which was not complete as of December 31, 2024. Loans related to completed construction projects are being repaid in semi-annual payments of principal and interest over a period of up to forty years. SRF loans outstanding by completion or expected completion year of the related projects as of December 31, 2024 are as follows:

Completion or Expected Completion Year of Projects	Number of Projects	Current Amount Including Accrued Construction Period Interest	Additional Available Borrowings Including Construction Period Interest
1993-2023	66	\$ 771,321,177	\$ 22,828,696
2024-2025	4	234,593,574	48,559,543
Total		<u>\$ 1,005,914,751</u>	<u>\$ 71,388,239</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Defeasance Transactions

In 2016, the Sewer District issued \$25,015,000 in Wastewater Improvement Revenue Refunding Bonds, Series 2016 to advance refund and defease the Series 2007 Wastewater Improvement Revenue 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 revenue bonds are considered defeased, and the Sewer District has removed the liability from its accounts. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$3,203,519. On October 16, 2024, the Sewer District defeased \$6,450,000 of the Series 2016 Wastewater Improvement Revenue Refunding Bonds relating to maturities for 2034, 2035, and 2036. As a result, that portion of the 2016 Wastewater Improvement Revenue Refunding Bonds are considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2024, \$14,430,000 is the portion of refunding debt which remains outstanding. The Series 2016 Bonds are not subject to redemption at the option of the Sewer District prior to their stated maturity or call date.

In 2017, the Sewer District issued \$241,595,000 in Wastewater Improvement Revenue Refunding bonds, Series 2017 to advance refund and defease the Series 2013 Wastewater Improvement Revenue 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 Revenue Refunding Bonds. As a result, that portion of the 2013 wastewater improvement revenue bonds are considered defeased, and the Sewer District has removed the liability from its accounts. On May 15, 2023, the defeased bonds were redeemed in full.

This refunding resulted in debt service savings of \$26,288,317 over the next 26 years and an economic gain of \$18,047,901. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$16,984,749. The related amortization is being charged to interest expense on long-term debt through the year 2033 using the effective interest method. The Series 2017 Bonds maturing on or after November 15, 2023 were subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after May 15, 2023 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption. On October 16, 2024, the Sewer District defeased \$765,000 of the Series 2017 Wastewater Improvement Refunding Revenue Bonds relating to maturities for 2036, 2039, and 2040. As a result, that portion of the 2017 Wastewater Improvement Refunding Bonds are considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2024, \$234,965,000 is the portion of refunding debt remaining outstanding. The Series 2017 Bonds maturing before November 15, 2028, are not subject to optional redemption prior to maturity.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

In 2019, the Sewer District issued \$245,005,000 in Wastewater Improvement Revenue Refunding bonds, Series 2019 to advance refund and defease part of the Series 2010 Wastewater Improvement Revenue 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 revenue bonds are considered defeased, and the Sewer District has removed the liability from its accounts. On November 15, 2020, the defeased bonds were redeemed in full. This refunding resulted in debt service savings of \$47,293,317 over the next 20 years and an economic gain of \$37,015,310. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$11,144,449. The related amortization is being charged to interest expense on long-term debt through the year 2040 using the effective interest method.

On October 16, 2024, the Sewer District defeased \$27,920,000 of the Series 2019 Wastewater Improvement Revenue Refunding Bonds relating to maturities for 2033, 2034, 2035, 2038, 2039 and 2040. As a result, that portion of the 2019 Wastewater Improvement Revenue Refunding Bonds is considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2024, \$217,085,000 is the portion of refunding debt remaining outstanding. The Series 2019 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2029 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

In 2020, the Sewer District issued \$244,895,000 in Wastewater Improvement Revenue Refunding bonds, Series 2020 to advance refund and defease part of the Series 2014 Wastewater Improvement Revenue 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 revenue improvement bonds. As a result, that portion of the 2014 wastewater improvement revenue bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This refunding resulted in debt service savings of \$43,545,400 over the next 30 years and an economic gain of \$28,519,686. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$16,374,751. The related amortization is being charged to interest expense on long-term debt through the year 2047 using the effective interest method. On October 16, 2024, the Sewer District defeased \$17,255,000 of the Series 2020 Wastewater Improvement Revenue Refunding Bonds relating to maturities from 2027 through 2044. As a result, that portion of the 2020 Wastewater Improvement Revenue Refunding Bonds is considered defeased, and the Sewer District has removed the liability from its accounts.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

As of December 31, 2024, \$142,985,000 is the portion of refunding debt remaining outstanding. The Series 2020 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2029 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

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

In 2021, the Sewer District issued \$114,295,000 in Wastewater Improvement Revenue Refunding bonds, Series 2021 to advance refund and defease part of the Series 2013 Wastewater Improvement Revenue Refunding Bonds of \$14,450,000 and Series 2014 Wastewater Improvement Refunding Bonds of \$86,255,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the Series 2013 and 2014 wastewater improvement revenue refunding bonds. As a result, that portion of the 2013 and 2014 wastewater improvement revenue bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This refunding resulted in debt service savings of \$12,899,299 over the next 30 years and an economic gain of \$9,777,060. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$4,825,045. The related amortization is being charged to interest expense on long-term debt through the year 2046 using the effective interest method. The Series 2021 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2030 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption. On October 16, 2024, the Sewer District defeased \$18,880,000 of the Series 2021 Wastewater Improvement Revenue Refunding Bonds relating to maturities from 2025 through 2046. As a result, that portion of the 2021 Wastewater Improvement Revenue Refunding Bonds is considered defeased, and the Sewer District has removed the liability from its accounts. As of December 31, 2024, \$88,855,000, is the portion of refunded det remaining outstanding.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Defeasance Transactions (continued)

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

In 2024, the Sewer District issued \$135,750,000 in Wastewater Improvement Revenue Refunding bonds, Series 2024 to advance refund and defease the remaining amount of \$85,210,000 of the Series 2010 Wastewater Improvement Revenue Bonds, the partial refunding of Series 2016 Wastewater Improvement Refunding Bonds of \$6,450,000, of Series 2017 Wastewater Improvement Revenue Refunding Bonds in the amount of \$765,000, of Series 2019 Wastewater Improvement Revenue Refunding Bonds in the amount of \$27,920,000, of Series 2020 Wastewater Improvement Revenue Refunding Bonds in the amount of \$17,255,000 and of Series 2021 Wastewater Improvement Revenue Refunding Bonds in the amount of \$18,880,000. 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 portions of the Series 2010, 2016, 2017, 2019, 2020 and 2021 Bonds. As a result, that portion of the 2010, 2016, 2017, 2019, 2020 and 2021 Wastewater Improvement Revenue Refunding Bonds are considered defeased, and the Sewer District has removed the liability from its accounts. This refunding resulted in debt service savings of \$4,984,780 over the next 22 years and an economic gain of \$3,480,501. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$437,127. The related amortization is being charged to interest expense on long-term debt through the year 2046 using the effective interest method.

As of December 31, 2024, \$135,750,000 is the portion of refunded debt remaining outstanding. The Series 2024 Bonds shall be subject to redemption prior to maturity at the option of the Sewer District in whole or in part, at any time on or after November 15, 2034 from any moneys available therefore, in the maturities designated by the Sewer District for redemption, at the redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for the redemption.

In 2024, the Sewer District also executed a bond cash defeasance transaction placing in escrow certain moneys available to the Sewer District to pay 2045, 2046, 2047 maturities of the Series 2020 Wastewater Improvement Revenue Refunding Bonds in the amount of \$42,260,000. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, that portion of the Series 2020 Wastewater Improvement Revenue Refunding Bonds are considered defeased, and the Sewer District has removed the liability from its accounts. The net present value benefit of this transaction is \$12,436,360 and will be used to offset future debt service funding obligations.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements

The Sewer 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, 2024 follows:

	Wastewater Improvement Revenue Refunding Bonds Series 2016		Wastewater Improvement Revenue Refunding Bonds Series 2017	
	Principal	Interest	Principal	Interest
2025	\$ 200,000	\$ 432,900	\$ 3,830,000	\$ 9,329,250
2026	205,000	426,900	5,520,000	9,137,750
2027	210,000	420,750	5,795,000	8,861,750
2028	215,000	414,450	6,085,000	8,572,000
2029	225,000	408,000	6,385,000	8,267,750
2030-2034	965,000	1,934,850	28,410,000	37,249,000
2035-2039	12,410,000	562,650	75,650,000	28,870,850
2040-2044	-	-	103,290,000	10,471,825
Total	<u>\$ 14,430,000</u>	<u>\$ 4,600,500</u>	<u>\$ 234,965,000</u>	<u>\$ 120,760,175</u>

	Wastewater Improvement Revenue Refunding Bonds Series 2019		Wastewater Improvement Revenue Refunding Bonds Series 2020	
	Principal	Interest	Principal	Interest
2025	\$ -	\$ 7,121,100	\$ 1,760,000	\$ 4,309,640
2026	-	7,121,100	1,795,000	4,274,035
2027	-	7,121,100	1,250,000	4,235,658
2028	-	7,121,100	1,550,000	4,207,308
2029	-	7,121,100	855,000	4,171,674
2030-2034	33,560,000	35,144,400	24,735,000	19,166,445
2035-2039	148,465,000	21,751,100	31,805,000	15,708,500
2040-2044	35,060,000	1,051,800	76,625,000	9,484,410
2045-2049	-	-	2,610,000	204,105
Total	<u>\$ 217,085,000</u>	<u>\$ 93,552,800</u>	<u>\$ 142,985,000</u>	<u>\$ 65,761,775</u>

	Wastewater Improvement Revenue Refunding Bonds Series 2021		Wastewater Improvement Revenue Refunding Bonds Series 2024	
	Principal	Interest	Principal	Interest
2025	\$ 2,805,000	\$ 1,889,908	\$ 630,000	\$ 7,334,271
2026	5,305,000	1,866,739	1,945,000	6,756,000
2027	6,840,000	1,813,901	9,365,000	6,658,750
2028	7,615,000	1,730,932	10,495,000	6,190,500
2029	7,380,000	1,624,855	12,635,000	5,665,750
2030-2034	14,010,000	7,040,977	81,395,000	16,607,000
2035-2039	1,180,000	6,157,278	10,240,000	2,852,000
2040-2044	1,370,000	5,977,159	3,435,000	1,699,250
2045-2049	42,350,000	1,767,038	5,610,000	424,250
Total	<u>\$ 88,855,000</u>	<u>\$ 29,868,787</u>	<u>\$ 135,750,000</u>	<u>\$ 54,187,771</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

	Water Pollution Control Loans		Future Debt Service Requirements Total	
	Principal	Interest	Principal	Interest
2025	\$ 55,669,608	\$ 18,366,197	\$ 64,894,608	\$ 48,783,266
2026	58,204,031	17,832,670	72,974,031	47,415,194
2027	49,978,237	16,725,631	73,438,237	45,837,540
2028	46,252,691	15,780,162	72,212,691	44,016,452
2029	46,595,554	14,858,857	74,075,554	42,117,986
2030-2034	214,164,161	60,676,288	397,239,161	177,818,960
2035-2039	165,324,089	41,870,152	445,074,089	117,772,530
2040-2044	131,372,376	29,486,623	351,152,376	58,171,067
2045-2049	107,809,323	19,133,712	158,379,323	21,529,105
2050-2054	84,325,020	9,722,402	84,325,020	9,722,402
2055-2059	38,803,270	4,247,286	38,803,270	4,247,286
2060	7,416,391	311,614	7,416,391	311,614
Total	<u>\$ 1,005,914,751</u>	<u>\$ 249,011,594</u>	<u>\$ 1,839,984,751</u>	<u>\$ 617,743,402</u>

At December 31, 2024, the Sewer District received partial proceeds in the amount of \$171,819,660 for a Water Pollution Control Loan. The loan will be repaid in semi-annual installments.

Bond premium and discount activity for 2024 is as follows:

	Balance	Amortized	Refunded	Issued	Balance
Bond Premium, Series 2014	\$ 60,339	\$ (60,339)	\$ -	\$ -	\$ -
Bond Discount, Series 2016	(12,132)	1,252	3,422	-	(7,458)
Bond Premium, Series 2017	10,553,597	(1,103,897)	(31,502)	-	9,418,198
Bond Premium, Series 2019	13,214,230	(1,149,303)	(1,402,175)	-	10,662,752
Bond Premium, Series 2024	-	(754,036)	-	20,710,475	19,956,439
Total	<u>\$ 23,816,034</u>	<u>\$ (3,066,323)</u>	<u>\$ (1,430,255)</u>	<u>\$ 20,710,475</u>	<u>\$ 40,029,931</u>

Bond premium and discount activity for 2023 is as follows:

<u>December 31, 2023</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium, Series 2013	\$ 211,308	\$ (150,969)	\$ -	\$ -	\$ 60,339
Bond Discount, Series 2016	(13,535)	1,403	-	-	(12,132)
Bond Premium, Series 2017	11,700,852	(1,147,255)	-	-	10,553,597
Bond Premium, Series 2019	14,599,082	(1,384,852)	-	-	13,214,230
Total	<u>\$ 26,497,707</u>	<u>\$ (2,681,673)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,816,034</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

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

<u>December 31, 2024</u>	Beginning Balance (*)	Additions	Reductions	Ending Balance	Amounts Due in 2025
Wastewater Improvement Revenue Bonds, Series 2010	\$ 85,210,000	\$ -	\$ (85,210,000)	\$ -	\$ -
Wastewater Improvement Revenue Bonds, Series 2014	3,885,000	-	(3,885,000)	-	-
Wastewater Improvement Revenue Refunding Bonds, Series 2016	21,075,000	-	(6,645,000)	14,430,000	200,000
Wastewater Improvement Revenue Refunding Bonds, Series 2017	238,010,000	-	(3,045,000)	234,965,000	3,830,000
Wastewater Improvement Revenue Refunding Bonds, Series 2019	245,005,000	-	(27,920,000)	217,085,000	-
Wastewater Improvement Revenue Refunding Bonds, Series 2020	204,225,000	-	(61,240,000)	142,985,000	1,760,000
Wastewater Improvement Revenue Revenue Refunding Bonds, series 2021	109,520,000	-	(20,665,000)	88,855,000	2,805,000
Wastewater Improvement Revenue Revenue Refunding Bonds, Series 2024	-	135,750,000	-	135,750,000	630,000
Water Pollution Control Loan Funds (WPCLF)	994,522,888	62,143,348	(50,751,485)	1,005,914,751	55,669,608
Total Bonds and WPCLF	<u>1,901,452,888</u>	<u>197,893,348</u>	<u>(259,361,485)</u>	<u>1,839,984,751</u>	<u>64,894,608</u>
Net Pension Liability - OPERS	95,639,436	-	(7,022,677)	88,616,759	-
Net OPEB Liability - OPERS	2,184,876	-	(2,184,876)	-	-
Long-Term Compensated Absences	6,043,652	350,804	-	6,394,456	3,232,372
Long-Term Lease Liability	220,978	375,372	(97,354)	498,996	92,364
Long-Term SBITA Liability	3,247,650	914,054	(2,663,688)	1,498,016	1,166,309
Total	<u>\$ 2,008,789,480</u>	<u>\$ 199,533,578</u>	<u>\$ (271,330,080)</u>	<u>\$ 1,936,992,978</u>	<u>\$ 69,385,653</u>

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

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

continued

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 7: Long-Term Obligations (continued)

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

<u>December 31, 2023</u>	Beginning Balance (*)	Additions	Reductions	Ending Balance	Amounts Due in 2024
Net Pension Liability - OPERS	\$ 28,718,385	\$ 66,921,051	\$ -	\$ 95,639,436	\$ -
Net OPEB Liability - OPERS	-	2,184,876	-	2,184,876	-
Long-Term Asset Retirement Obligation	79,950	-	(79,950)	-	-
Long-Term Compensated Absences (**)	5,852,769	190,883	-	6,043,652	2,521,545
Long-Term Lease Liability	316,557	-	(95,579)	220,978	94,514
Long-Term SBITA Liability (*)	5,120,953	750,795	(2,624,098)	3,247,650	2,217,683
Total	<u>\$ 1,924,425,172</u>	<u>\$ 151,496,379</u>	<u>\$ (67,132,071)</u>	<u>\$ 2,008,789,480</u>	<u>\$ 66,030,956</u>

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

(**) During 2024, the Sewer District implemented GASB Statement No. 101, *Compensated Absences*. As of the beginning of 2023, the compensated absences liability as originally reported was reclassified to a long-term liability for reporting purposes. The change in the long-term compensated absences is presented as a net change. See Notes 2 and 3 for details.

Note 8: Pension Plans

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report references above for additional information, including requirements for reduced and unreduced benefits):

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

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

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

The combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. Effective January 1, 2022, members may no longer select this plan. In October 2023, the legislature approved House Bill 33 which allows for consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed.

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

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

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

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2024 and 2023 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to health care was 2% for 2024 and 2023. The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2024 and 2023. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Sewer District's contractually required contribution for the traditional plan for 2024 and 2023 was \$8,575,037 and \$7,803,390, respectively. The contractually required contribution for the combined plan, net of postemployment health care benefits, for 2024 and 2023 were \$327,781 and \$307,088, respectively. Of these amounts, \$397,403 and \$340,060 were reported in the other accrued liabilities on balance sheet for 2024 and 2023, respectively.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS

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

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

Key methods and assumptions used in valuation of total pension liability/asset – 2023:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>
Valuation date	December 31, 2023	December 31, 2023
Experience study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	6.90%	6.90%
Wage inflation	2.75%	2.75%
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	2.30% Simple through 2024 then 2.05% Simple	2.30% Simple through 2024 then 2.05% Simple

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

During 2023, 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 gain of 11.2% for 2023.

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

<u>Asset Class</u>	<u>2023 Target Allocation</u>	2023
		Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	24.0%	2.85%
Domestic equities	21.0%	4.27%
Real estate	13.0%	4.46%
Private equity	15.0%	7.52%
International equities	20.0%	5.16%
Risk Parity	2.0%	4.38%
Other investments	<u>5.0%</u>	3.46%
Total	<u>100.0%</u>	

Discount Rate The discount rate used to measure the total pension liability for measurement year 2023 was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

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

The Sewer District’s proportionate share of net pension liability (asset) at December 31, 2024:

	<u>1% Decrease (5.9%)</u>	<u>Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
Sewer District’s proportionate share of the net pension liability – traditional	\$ 139,506,593	\$ 88,616,759	\$ 46,291,209
Sewer District’s proportionate share of the net pension asset – combined	\$ (1,053,231)	\$ (1,740,561)	\$ (2,282,000)

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability – 2022

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

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

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

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

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

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

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

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

The net pension liability (asset) for OPERS as of December 31, 2024 and 2023, was measured as of December 31, 2023 and 2022, respectively. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Sewer District's proportion of the net pension liability (asset) was based on the Sewer District's share of contributions to the pension plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of pension expense for the current and prior year. The related deferred outflows and deferred inflows of resources associated with the pension liability (asset) are presented below.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

2024 net pension assets and liabilities:

	OPERS Traditional	OPERS Combined	Total
Proportion of the net pension liability/asset prior measurement date	0.323762%	0.544457%	
Proportion of the net pension liability/asset current measurement date	<u>0.338485%</u>	<u>0.566253%</u>	
Change in Proportionate Share	0.014723%	(0.021796%)	
Proportionate share of the net pension asset	\$ -	\$ 1,740,561	\$ 1,740,561
Proportionate share of the net pension liability	\$ 88,616,759	\$ -	\$ 88,616,759
Pension expense	\$ 9,859,434	\$ 128,707	\$ 9,988,141

2023 net pension assets and liabilities:

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

At December 31, 2024, the Sewer District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

	OPERS Traditional	OPERS Combined	Total
Deferred outflow of resources			
Sewer District contributions subsequent to the measurement date	\$ 8,575,037	\$ 327,781	\$ 8,902,818
Differences in employer contributions and change in proportionate share	1,713,825	97,447	1,811,272
Differences between projected and actual Earnings on pension plan investments	17,886,641	283,089	18,169,730
Difference between expected and actual experience	1,448,366	70,533	1,518,899
Change in assumptions	-	64,595	64,595
Total deferred outflow of resources	\$ <u>29,623,869</u>	\$ <u>843,445</u>	\$ <u>30,467,314</u>

	OPERS Traditional	OPERS Combined	Total
Deferred inflow of resources			
Differences in employer contributions and change in proportionate share	\$ 182,114	\$ 105,250	\$ 287,364
Difference between expected and actual experience	-	172,151	172,151
Total deferred inflow of resources	\$ <u>182,114</u>	\$ <u>277,401</u>	\$ <u>459,515</u>

The \$8,902,818 reported as deferred outflows of resources related to pension resulting from the Sewer District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	Total
Fiscal Year Ending December 31:			
2025	\$ 5,481,265	\$ 44,083	\$ 5,525,348
2026	6,518,197	82,295	6,600,492
2027	11,414,247	170,301	11,584,548
2028	(2,546,991)	(43,527)	(2,590,518)
2029	-	2,743	2,743
Thereafter	-	(17,632)	(17,632)
	\$ <u>20,866,718</u>	\$ <u>238,263</u>	\$ <u>21,104,981</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 8: Pension Plans (continued)

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

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

	OPERS Traditional	OPERS Combined	Total
Deferred outflow of resources			
Sewer District contributions subsequent to the measurement date	\$ 7,803,390	\$ 307,088	\$ 8,110,478
Differences in employer contributions and change in proportionate share	-	119,468	119,468
Differences between projected and actual Earnings on pension plan investments	27,260,244	467,662	27,727,906
Difference between expected and actual experience	3,176,741	78,892	3,255,633
Change in assumptions	<u>1,010,363</u>	<u>84,956</u>	<u>1,095,319</u>
Total deferred outflow of resources	\$ <u>39,250,738</u>	\$ <u>1,058,066</u>	\$ <u>40,308,804</u>
	OPERS Traditional	OPERS Combined	Total
Deferred inflow of resources			
Differences in employer contributions and change in proportionate share	\$ 1,501,908	\$ 50,410	\$ 1,552,318
Difference between expected and actual experience	<u>-</u>	<u>183,357</u>	<u>183,357</u>
Total deferred inflow of resources	\$ <u>1,501,908</u>	\$ <u>233,767</u>	\$ <u>1,735,675</u>

Note 9: Defined Benefit, Postemployment Benefits Other Than Pensions

Plan Description - Ohio Public Employees Retirement System

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Plan Description - Ohio Public Employees Retirement System (continued)

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents

OPERS members enrolled in the traditional plan or combined plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

Age 59 or Younger Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service. Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolls in OPERS healthcare. Monthly allowances range between 51% and 90% of the base allowance for both non-Medicare and Medicare retirees.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Plan Description - Ohio Public Employees Retirement System (continued)

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan. When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024 and 2023, 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Funding Policy (continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan was 0% during fiscal year 2024 and 2023. For the combined plan, the portion of the employer contributions allocated to health care was 2% during fiscal year 2024 and 2023. The portion of employer contributions allocated to health care for members in the member-directed plan was 4% during fiscal year 2024 and 2023. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Sewer District's contractually required contributions to OPERS health care plans was \$314,514 and \$287,144 for 2024 and 2023, 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.

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Actuarial Assumptions - OPERS (continued)

Key methods and assumptions used in valuation of total OPEB asset - 2023:

	<u>Assumptions</u>
Valuation date	December 31, 2022
Rolled-forward measurement date	December 31, 2023
Experience study	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age normal
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%
Investment rate of return	6.00%
Municipal bond rate	3.77%
Single discount rate of return	5.70%
Health care cost trend	Initial 5.5% to 3.5% ultimate in 2038

The total OPEB liability for the measurement period December 31, 2022 was determined using the following actuarial assumptions that follow:

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

For 2023 and 2022, pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Actuarial Assumptions – OPERS (continued)

During 2023 and 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0% for 2023 and loss of 15.6% for 2022.

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

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

<u>Asset Class</u>	2023 Target Allocation	2023 Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	37.0%	2.82%
Domestic equities	25.0%	4.27%
Real estate investment trusts	5.0%	4.68%
International equities	25.0%	5.16%
Risk parity	3.0%	4.38%
Other investments	<u>5.0%</u>	2.43%
Total	<u>100.0%</u>	

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Actuarial Assumptions – OPERS (continued)

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

Discount rate Single discount rates of 5.70% and 5.22% were used to measure the OPEB liability on the measurement date of December 31, 2023 and December 31, 2022, 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 3.77%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Sewer District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the Sewer District's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70%, as well as what the Sewer District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower (4.70%) or one percentage point higher (6.70%) than the current rate as of December 31, 2024:

	<u>1% Decrease (4.70%)</u>	<u>Discount Rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
Sewer District's proportionate share of the net OPEB Liability (Asset)	\$ 1,773,780	\$ (3,227,578)	\$ (7,370,486)

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Actuarial Assumptions – OPERS (continued)

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

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

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of the health care; the trend starting in 2024 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.5% in the most recent valuation.

The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate for December 31, 2024.

	<u>1% Decrease</u>	<u>Health Care Cost Current Discount Rate</u>	<u>1% Increase</u>
Sewer District's proportionate share of the net OPEB Asset	\$ (3,361,600)	\$ (3,227,578)	\$ (3,075,506)

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

Actuarial Assumptions – OPERS (continued)

Assumption Changes Since the Prior Measurement Date Municipal bond rate changed from 4.05% to 3.77%. The single discount rate increased from 5.22% to 5.70%. The health care cost trend rate changed from 5.5% initial, 3.5% ultimate in 2036 to 5.5% initial, 3.5% ultimate in 2038.

Changes between Measurement Date and Reporting Date During 2024, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2024. The effects of these changes are unknown.

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

The net OPEB liability (asset) for OPERS as of December 31, 2024, was measured as of December 31, 2023. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Sewer District's proportion of the net OPEB liability (asset) was based on the Sewer District's share of contributions to the OPEB plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. The following table reflects the proportionate share of OPEB expense for the current and prior years. The related deferred outflows and deferred inflows of resources associated with the OPEB liability (asset) are presented below.

Sewer District's proportionate share of net OPEB asset at December 31, 2024:

	<u>OPERS</u>
Proportion of the net OPEB liability prior measurement date	0.346520%
Proportion of the net OPEB liability current measurement date	<u>0.357617%</u>
Change in proportionate share	0.011097%
Proportionate share of the net OPEB asset	\$ (3,227,578)
OPEB expense (reduction)	\$ (405,171)

At December 31, 2024, the District reported deferred outflow and inflow of resources related to the net OPEB asset from OPERS OPEB plan, based on December 31, 2023 measurement, as indicated in the table below:

	<u>OPERS</u>
Deferred outflow of resources	
Change in assumptions	\$ 830,941
Difference between projected and actual earnings on plan investments	1,938,345
Differences in employer contributions and change in proportionate share	67,840
Payment subsequent to measurement date	<u>314,514</u>
Total deferred outflow of resources	\$ <u>3,151,640</u>
Deferred inflow of resources	
Difference between expected and actual experience	\$ 459,377
Change in assumptions	<u>1,387,440</u>
Total deferred inflow of resources	\$ <u>1,846,817</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

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

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

The \$314,514 reported as deferred outflows of resources related to OPEB resulting from the Sewer District's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>Total</u>
Fiscal year ending December 31:	
2025	\$ (38,981)
2026	174,974
2027	1,508,830
2028	<u>(654,514)</u>
	<u>\$ 990,309</u>

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 10: Deferred Compensation Plans

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

The Sewer District follows the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. In accordance with the provisions of GASB Statement No. 97, at December 31, 2024 and 2023, the assets of both plans met the applicable trust requirements and are therefore excluded from the Sewer District’s financial statements.

Note 11: Risk Management

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

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

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

	Beginning Balance	Claims Paid	Increase in Estimate	Ending Balance
2024	\$ 88,990	\$ (61,569)	\$ 112,241	\$ 139,662
2023	\$ 83,727	\$ (23,122)	\$ 28,385	\$ 88,990

Estimated liabilities are not material with respect to the financial position of the Sewer District. The claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2024 is estimated to be paid during the year ending December 31, 2025. The Sewer District’s insurance reserves as of December 31, 2024 and 2023 were \$16,952,881 and \$16,763,532; respectively, and are included in short-term investments on the Sewer District’s statements of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 11: Risk Management (continued)

Employee Health Benefits

The Sewer District manages the hospital/medical, dental, vision, prescription and hearing insurance benefits for its employees on a self-insured basis using an accrued liability account that is included in the other accrued liabilities in the accompanying statements of net position. A third-party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$225,000 per claim, per year.

The claims liabilities of \$1,036,000 and \$905,000 reported at December 31, 2024 and 2023, respectively, were estimated by reviewing current claims and is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. The health claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2024 is estimated to be paid during the year ending December 31, 2025. The balance as of December 31, 2023 is estimated to be paid during the year ending December 31, 2024.

Changes in the claims liability amounts in 2024 and 2023 were as follows:

	Beginning of Year	Current year Claims	Claims Payment	End of Year
2024	\$ 905,000	\$12,984,570	\$ (12,853,570)	\$1,036,000
2023	\$ 976,022	\$10,993,894	\$ (11,064,916)	\$ 905,000

Note 12: Lease Arrangements

Lessee

The Sewer District is a lessee in noncancelable lease agreements for parking spots and copier equipment. The present value of future minimum lease payments as of December 31, 2024 and 2023, is recorded as lease liability in the financial statements.

The following is a summary of right-to-use lease asset activity for the year ended December 31, 2024:

Lease Description	Role	Classification	Net Asset Balance	Accumulated Amortization	Gross Asset Balance
Prospect Avenue Parking Spaces	Lessee	Land	\$ 372,611	\$ 3,131	\$ 375,742
Copiers	Lessee	Computer Equipment	120,156	180,251	300,407
Total			<u>\$ 492,767</u>	<u>\$ 183,382</u>	<u>\$ 676,149</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 12: Lease Arrangements (continued)

Lessee (continued)

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

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

See below for further information regarding the outstanding lease agreements.

The George Group Corp.

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

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

This lease agreement ended November 30, 2024, and a new lease agreement was signed with the George Group Corp. The new lease agreement is for an original five-year term through November 30, 2029. There is an automatic renewal for an additional five-years through November 30, 2034, unless advance notice is given. The Sewer District is reasonably certain to renew for the additional five years. Monthly rent of \$3,213 is due within the first five days of each month. For each succeeding year of the initial term and the renewal term, the monthly rent will increase 2% per year beginning with the December payment. Expected future minimum payments under this agreement are as follows:

Year Ending December 31,	Principal	Interest	Expected Minimum Payment
2025	\$ 30,298	\$ 8,323	\$ 38,621
2026	31,789	7,604	39,393
2027	33,331	6,850	40,181
2028	34,907	6,077	40,984
2029	36,571	5,232	41,803
2030-2034	205,633	12,350	217,983
	<u>\$ 372,529</u>	<u>\$ 46,436</u>	<u>\$ 418,965</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 12: Lease Arrangements (continued)

Lessee (continued)

Meritech Inc.

In 2022, the Sewer District entered into a five-year lease agreement with Meritech Inc. for copiers. Monthly rent of \$5,085 is due by the first day of every calendar month. Starting in 2025, the monthly rent increases to \$5,229. The portion of monthly rent that is attributable to copies and supplies is subject to a 10% increase per year if Meritech experiences an increase in costs. It is reasonably certain this 10% increase will continue each year through the end of the lease term. Expected future minimum payments under this agreement are as follows:

Year Ending December 31:	Principal	Interest	Expected Minimum Payment
2025	\$ 62,066	\$ 679	\$ 62,745
2026	64,401	245	64,646
Total	<u>\$ 126,467</u>	<u>\$ 924</u>	<u>\$ 127,391</u>

Lessor

The Sewer District is a lessor in a noncancelable lease agreement for a cellular tower. With certain exclusions, the present value of future minimum lease payments as of December 31, 2024 and 2023, is recorded as lease receivable in the financial statements.

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

See below for further information regarding this lease agreement.

Crown Castle GT Company LLC

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 12: Lease Arrangements (continued)

Lessor (continued)

Year Ending December 31,	Principal	Interest	Expected Minimum Payment
2025	\$ 27,891	\$ 9,005	\$ 36,896
2026	29,380	8,623	38,003
2027	30,922	8,222	39,144
2028	32,519	7,799	40,318
2029	34,174	7,354	41,528
2030-2034	197,813	29,275	227,088
2035-2039	248,862	14,395	263,257
2040	56,701	782	57,483
	\$ 658,262	\$ 85,455	\$ 743,717

Note 13: Subscription-Based Information Technology Arrangements

The Sewer District has entered into various subscription-based information technology arrangements (SBITAs). As of December 31, 2024 and 2023, the Sewer District had 25 and 22, respectively, qualifying SBITAs under GASB 96 in which it is acting as Lessee.

The schedule of the future minimum payments required under subscriptions and the present value of the minimum subscription payments as of December 31, 2024, is presented below:

Year Ending December 31:	Subscriptions		
	Principal	Interest	Total
2025	\$ 1,166,309	\$ 3,463	\$ 1,169,772
2026	216,179	6,489	222,668
2027	115,528	4,573	120,101
Total	\$ 1,498,016	\$ 14,525	\$ 1,512,541

Note 14: Commitments and Contingencies

Combined Sewer Overflows Long-Term Control Plan

The Combined Sewer Overflow (CSO) Consent Decree between the Sewer District and US EPA, US DOJ, Ohio EPA, and the Ohio Attorney General, entered on July 7, 2011, requires the Sewer District to spend \$3 Billion (in 2009 dollars) constructing several projects through 2034 to reduce combined CSO into Lake Erie. The Consent Decree requires the Sewer District to construct multiple projects specified in the appendices of the Consent Decree that are intended to upgrade capacity at each of its three wastewater treatment plants, make improvements to its collection system, construct green infrastructure, and complete both federal and state Supplemental Environmental Projects, all as specifically described. Failure of the Sewer District to complete any of the required projects in accordance with the Consent Decree could result in penalties as set forth in the Consent Decree. As of December 31, 2024 and 2023, the Sewer District did not anticipate any failures that would result in such penalties.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 14: Commitments and Contingencies (continued)

Other Litigation

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

Note 15: Fair Value Measurements

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

Financial assets at December 31, 2024 consisted of the following:

	Level 1	Level 2	Level 3	Total at 12/31/2024
<u>Short-Term Investments</u>				
Money Market Funds	\$ 254,137,464	\$ -	\$ -	\$ 254,137,464
U.S. Treasury Bills	39,355,400	-	-	39,355,400
Huntington Contractors Escrow	2,119,430	-	-	2,119,430
Fixed Income Securities	-	48,532,973	-	48,532,973
U.S. Gov't Obligations	-	131,132,077	-	131,132,077
<u>Long Term Investments</u>				
Fixed Income Securities	-	67,393,030	-	67,393,030
U.S. Gov't Obligations	-	97,986,824	-	97,986,824
<u>Revenue Bond Debt Service Fund</u>				
Money Market Funds	316,254	-	-	316,254
U.S. Gov't Obligations	-	12,998,629	-	12,998,629
Total	<u>\$ 295,928,548</u>	<u>\$ 358,043,533</u>	<u>\$ -</u>	<u>\$ 653,972,081</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2024 and 2023

Note 15: Fair Value Measurements (continued)

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Ten Years *

Traditional Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.338485%	0.323762%	0.330081%	0.356791%	0.358148%	0.354457%	0.362813%	0.341986%	0.336154%	0.336024%
District's Proportionate Share of the Net Pension Liability	\$ 88,616,759	\$ 95,639,436	\$ 28,718,385	\$ 52,832,981	\$ 70,790,382	\$ 97,078,586	\$ 56,918,326	\$ 77,659,205	\$ 58,226,111	\$ 40,528,251
District's Covered Payroll	\$ 55,738,500	\$ 51,515,529	\$ 48,430,557	\$ 50,344,200	\$ 48,516,643	\$ 48,060,622	\$ 52,309,025	\$ 40,870,702	\$ 49,435,775	\$ 48,528,228
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	158.99%	185.65%	59.30%	104.94%	145.91%	201.99%	108.81%	190.01%	117.78%	83.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%
Combined Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Asset	0.566253%	0.544457%	0.529671%	0.565736%	0.584628%	0.634615%	0.684592%	0.583779%	0.531290%	0.535543%
District's Proportionate Share of the Net Pension Asset	\$ 1,740,561	\$ 1,283,232	\$ 2,086,935	\$ 1,633,076	\$ 1,219,092	\$ 709,645	\$ 931,953	\$ 324,913	\$ 258,537	\$ 206,196
District's Covered Payroll	\$ 2,559,071	\$ 2,625,371	\$ 2,440,971	\$ 2,493,536	\$ 2,514,571	\$ 2,733,250	\$ 3,011,061	\$ 2,189,365	\$ 2,275,217	\$ 2,233,128
District's Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll	68.02%	48.88%	85.50%	65.49%	48.48%	25.96%	30.95%	14.84%	11.36%	9.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

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

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Eight Years *

	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability/Asset	0.357617%	0.346520%	0.354159%	0.381944%	0.382083%	0.383170%	0.390720%	0.364608%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (3,227,578)	\$ 2,184,876	\$ (11,092,801)	\$ (6,804,636)	\$ 52,775,589	\$ 49,956,323	\$ 42,429,314	\$ 36,826,620
District's Covered Payroll	\$ 63,796,516	\$ 60,419,609	\$ 55,218,354	\$ 57,724,594	\$ 57,316,385	\$ 55,780,664	\$ 60,288,529	\$ 46,660,550
District's Proportion of the Net OPEB Liability (Asset) as a Percentage of Its Covered Payroll	-5.06%	3.62%	-20.09%	-11.79%	92.08%	89.56%	70.38%	78.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	N/A

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

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contributions	\$ 8,575,037	\$ 7,803,390	\$ 7,212,174	\$ 6,780,278	\$ 7,048,188
Contributions in Relation to Contractually Required Contributions	<u>(8,575,037)</u>	<u>(7,803,390)</u>	<u>(7,212,174)</u>	<u>(6,780,278)</u>	<u>(7,048,188)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 61,250,264	\$ 55,738,500	\$ 51,515,529	\$ 48,430,557	\$ 50,344,200
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 6,792,330	\$ 6,728,485	\$ 6,800,173	\$ 4,904,484	\$ 5,932,293
Contributions in Relation to Contractually Required Contributions	<u>(6,792,330)</u>	<u>(6,728,485)</u>	<u>(6,800,173)</u>	<u>(4,904,484)</u>	<u>(5,932,293)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 48,516,643	\$ 48,060,622	\$ 52,309,025	\$ 40,870,702	\$ 49,435,775
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Ten Years

	2024	2023	2022	2021	2020
Contractually Required Contributions	\$ 327,781	\$ 307,088	\$ 336,862	\$ 341,736	\$ 349,095
Contributions in Relation to Contractually Required Contributions	(327,781)	(307,088)	(336,862)	(341,736)	(349,095)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,731,505	\$ 2,559,071	\$ 2,625,371	\$ 2,440,971	\$ 2,493,536
Contribution as a Percentage of Covered Payroll	12.00%	12.00%	12.83%	14.00%	14.00%

	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 352,040	\$ 382,655	\$ 391,438	\$ 262,724	\$ 273,026
Contributions in Relation to Contractually Required Contributions	(352,040)	(382,655)	(391,438)	(262,724)	(273,026)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,514,571	\$ 2,733,250	\$ 3,011,061	\$ 2,189,365	\$ 2,275,217
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Nine Years *

	2024	2023	2022	2021	2020
Contractually Required OPEB Contributions	\$ 314,514	\$ 287,144	\$ 267,471	\$ 199,299	\$ 200,641
Contributions in Relation to Contractually Required Contributions	<u>(314,514)</u>	<u>(287,144)</u>	<u>(267,471)</u>	<u>(199,299)</u>	<u>(200,641)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 71,335,710	\$ 63,796,516	\$ 60,419,609	\$ 55,218,354	\$ 57,724,594
OPEB Contribution as a Percentage of Covered Payroll	0.44%	0.45%	0.44%	0.36%	0.35%

	2019	2018	2017	2016
Contractually Required OPEB Contributions	\$ 184,030	\$ 109,330	\$ 602,885	\$ 933,211
Contributions in Relation to Contractually Required Contributions	<u>(184,030)</u>	<u>(109,330)</u>	<u>(602,885)</u>	<u>(933,211)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 57,316,385	\$ 55,780,664	\$ 60,288,529	\$ 46,660,550
Healthcare % per pension Note 8	0.32%	0.20%	1.00%	2.00%

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

See accompanying notes to required supplementary information.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Note 1: Net Pension Liability

Changes in Assumptions – OPERS

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

Key Methods and Assumptions in Valuing Total Pension Liability (Asset) – 2024

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
Experience Study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases, including 2.75% inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	2.30% Simple through 2024 then 2.05% Simple	2.30% Simple though 2024 then 2.05% Simple

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

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

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
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 (Asset) – 2019

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
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

For the Years Ended December 31, 2024 and 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

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

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
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 (Asset) – 2016 and prior

	OPERS <u>Traditional plan</u>	OPERS <u>Combined plan</u>
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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

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

Mortality rates – For amounts reported beginning in 2022, the measurements use pre-retirement mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females).

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

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

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS OPEB

For 2024, the single discount rate changed from 5.22% in 2023 to 5.70% in 2024. For 2024, the municipal bond rate changed from 4.05% to 3.77%. For 2024, the health care cost trend rate changed from 5.50% initial, 3.50% ultimate in 2036 to 5.50% initial, 3.50% ultimate in 2038.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to Required Supplementary Information

For the Years Ended December 31, 2024 and 2023

Note 2: Net OPEB Liability (continued)

Changes in Assumptions - OPERS OPEB (continued)

For 2023, the single discount rate changed from 6.00% in 2022 to 5.22% in 2023. For 2023, the municipal bond rate changed from 1.84% to 4.05%. For 2023, the health care cost trend rate changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

For 2022, the single discount rate was unchanged from 6.00% in 2021. For 2022, the municipal bond rate changed from 2.00% to 1.84%. For 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

For 2021, the single discount rate changed from 3.16% in 2020 to 6.00%. For 2021, the municipal bond rate changed from 2.75% to 2.00%. For 2021, the health care cost trend rate changed from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.50% initial, 3.25% ultimate in 2028 to 10.00% initial, 3.25% ultimate in 2029.

Factors Significantly Affecting Trends in Reported Amounts - OPERS

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

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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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
User Charges:				
Billed	\$ 471,783,047	\$ 471,783,047	\$ 468,768,287	\$ (3,014,760)
Other Revenue	2,719,071	2,719,071	2,994,714	275,643
Total Revenues	474,502,118	474,502,118	471,763,001	(2,739,117)
Expenses:				
Salary and Wages	70,114,391	70,292,340	66,647,410	3,644,930
Fringe Benefits (1)	25,812,417	25,356,819	23,822,775	1,534,044
Power	11,564,536	11,890,741	12,331,775	(441,034)
Materials and Supplies	14,085,983	15,062,893	11,770,687	3,292,206
Collection Fees	11,082,000	11,082,000	10,005,960	1,076,040
Gas	1,333,476	1,333,476	1,031,315	302,161
Chemicals	3,905,736	3,905,736	3,818,600	87,136
Repairs and Maintenance	3,616,395	4,492,238	4,340,088	152,150
Solids Handling	3,148,557	2,405,197	2,221,110	184,087
Water	1,072,326	746,121	934,638	(188,517)
Professional Services	19,071,188	18,030,959	15,632,246	2,398,713
Insurance	1,746,996	1,746,996	1,562,327	184,669
Judgements and Awards	225,000	225,000	18,555	206,445
Other Operating Expenses	34,191,407	34,399,892	19,774,755	14,625,137
Capitalized Construction Cost	(6,500,000)	(6,500,000)	(7,517,038)	1,017,038
Depreciation	92,338,008	92,338,008	92,769,233	(431,225)
Impact of GASB 68 and 75	-	-	365,638	(365,638)
Total Operating Expenses	286,808,416	286,808,416	259,530,074	27,278,342
Excess of Revenues Over Operating Expenses	\$ 187,693,702	\$ 187,693,702	\$ 212,232,927	\$ 24,539,225

(1) Fringe Benefits actual number includes unbudgeted amounts for pension and OPEB. The net impact on actual expenses was \$365,638, of which, \$1,085,323 was due to pension and (\$719,685) was due to OPEB. For more detail, please see Notes 8 and 9 of notes disclosures.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Supplementary Information

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

For the Year Ended December 31, 2024

Reconciliation to Change in Net Position:

Excess of Operating Revenues Over Operating Expenses	\$ 212,232,927
Interest Revenue	31,419,548
Lease Revenue	38,315
Increase in Fair Value of Investments, Net	1,814,296
Non-Operating Grant Revenue	7,530,243
Non-Operating Grant Expenses	(7,530,243)
Green Infrastructure Program	(884,873)
Member Infrastructure Community Program	(8,414,483)
Stormwater Community Cost-Share Disbursement	(7,766,310)
Loss on Disposals of Equipment	(72,960)
Gain on Cash Defeasance	5,362,385
Interest Expense on Long-Term Debt, Leases and Subscriptions	(50,354,828)
Federal Subsidy Revenue	1,415,306
	<hr/>
Change in Net Position	184,789,323
Net Position at Beginning of Year - Restated, See Note 3	2,186,928,952
	<hr/>
Net Position at End of Year	<u><u>\$ 2,371,718,275</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 Year Ended December 31, 2024

Note 1: Summary of Significant Accounting Policies

Budgetary Basis of Accounting

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

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

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



Statistical section

UNAUDITED



STATISTICAL SECTION (UNAUDITED)

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand the Sewer District's financial performance and well-being and how they have changed over time.</i>	100
Revenue Capacity <i>These schedules contain information to help the reader assess the Sewer District's most significant revenue source, user charges.</i>	108
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Sewer District's current levels of outstanding debt and the Sewer District's ability to issue additional debt in the future.</i>	112
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Sewer District's financial activities take place.</i>	114
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Sewer District's financial report relates to the services the Sewer District provides and the activities it performs.</i>	116
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>	122

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

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

	2024	2023 (5)	2022 (4)	2021 (3)
Net Investment in Capital Assets	\$ 1,608,101,783	\$ 1,452,201,077	\$ 1,393,173,434	\$ 1,258,992,579
Restricted - Stormwater Community Cost-Share	43,244,867	39,134,905	36,587,005	31,470,340
Restricted - Net Pension and OPEB Assets	4,968,139	1,283,232	13,179,736	8,437,712
Restricted - Revenue Bond Debt Service Deposit	13,314,884	11,180,997	10,149,547	11,464,564
Unrestricted	702,088,602	683,128,741	576,972,142	550,487,860
Total	<u>\$ 2,371,718,275</u>	<u>\$ 2,186,928,952</u>	<u>\$ 2,030,061,864</u>	<u>\$ 1,860,853,055</u>

Notes:

- (1) 2017 restated to comply with GASB 75.
- (2) 2019 restated to comply with GASB 83.
- (3) 2021 restated to comply with GASB 87.
- (4) 2022 restated to comply with GASB 96.
- (5) 2023 restated to comply with GASB 101.

Source: Sewer District accounting records.

2020	2019 (2)	2018	2017 (1)	2016	2015
\$ 1,233,425,735	\$ 1,231,162,062	\$ 1,196,966,572	\$ 1,107,066,113	\$ 990,664,879	\$ 786,650,331
30,484,566	25,911,002	24,045,802	17,185,754	8,203,008	-
1,279,963	709,645	931,953	77,659,205	58,210,433	40,528,251
12,194,735	12,759,244	14,218,413	16,472,039	27,743,677	35,799,521
413,659,346	321,309,452	293,403,609	234,761,389	341,533,545	494,928,082
<u>\$ 1,691,044,345</u>	<u>\$ 1,591,851,405</u>	<u>\$ 1,529,566,349</u>	<u>\$ 1,453,144,500</u>	<u>\$ 1,426,355,542</u>	<u>\$ 1,357,906,185</u>

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

	2024	2023 (9)	2022 (8)	2021 (7)	2020
<u>Operating Revenues, Net - Sewage</u>					
Billing Agents	\$ 384,964,227	\$ 370,053,920	\$ 357,795,915	\$ 351,000,147	\$ 320,790,742
Direct Billed	32,626,179	35,293,213	30,167,877	28,922,149	29,349,538
Other (6)	2,977,387	2,776,430	1,919,436	2,282,303	1,934,392
Total Operating Revenues, Net - Sewage	420,567,793	408,123,563	389,883,228	382,204,599	352,074,672
<u>Operating Revenues, Net - Stormwater</u>					
Billing Agents	50,157,925	47,634,058	45,641,388	43,519,426	43,886,592
Direct Billed	1,019,956	950,984	889,886	862,650	808,341
Other	17,327	31,099	144,689	-	(173)
Total Operating Revenues, Net - Stormwater	51,195,208	48,616,141	46,675,963	44,382,076	44,694,760
<u>Operating Revenues, Net - District Total</u>	471,763,001	456,739,704	436,559,191	426,586,675	396,769,432
<u>Operating Expenses - Sewage</u>					
Salaries and Wages	62,892,971	58,488,877	54,289,131	52,707,793	53,664,151
Fringe Benefits	23,575,506	19,401,161	(4,608,552)	(27,988,319)	31,440,808
Utilities	15,332,049	15,280,072	11,947,789	11,364,347	12,234,202
Professional and Contractual Services (6)	26,312,228	25,823,412	23,065,747	24,417,228	25,437,661
Other	12,984,308	12,095,496	10,995,370	10,435,818	9,223,437
Stormwater Indirect Cost Allocation (5)	(4,487,086)	(4,259,987)	(4,275,752)	(4,303,771)	(4,096,133)
Depreciation (6)	92,705,087	93,631,020	89,855,111	85,596,914	81,614,727
Total Operating Expenses - Sewage	229,315,063	220,460,051	181,268,844	152,230,010	209,518,853
<u>Operating Expenses - Stormwater</u>					
Salaries and Wages	3,754,439	3,618,778	3,319,843	3,460,956	3,509,846
Fringe Benefits (9)	612,909	829,614	529,483	546,974	593,766
Professional and Contractual Services	21,118,915	25,465,210	18,009,600	13,802,080	17,556,797
Other (1)	177,516	131,762	142,546	106,914	100,972
Stormwater Indirect Cost Allocation (5)	4,487,086	4,259,987	4,275,752	4,303,771	4,096,133
Depreciation	64,146	-	-	13,200	-
Total Operating Expenses - Stormwater	30,215,011	34,305,350	26,277,224	22,233,895	25,857,514
<u>Total Operating Expenses - District Total</u>	259,530,074	254,765,401	207,546,068	174,463,905	235,376,367
Operating Income	212,232,927	201,974,303	229,013,123	252,122,770	161,393,065
<u>Non-Operating Revenues (Expenses), Net</u>					
Interest Revenue (7)	31,419,548	24,256,066	7,016,656	1,666,422	4,468,117
Lease Revenue (7)	38,315	38,315	38,315	38,315	-
Increase (Decrease) in Fair Value of Investments, Net	1,814,296	4,942,718	(2,561,068)	(980,218)	996,621
Non-Operating Grant Revenue	7,530,243	7,809,674	1,000,000	-	-
Non-Operating Grant Expenses	(7,530,243)	(7,809,674)	-	-	-
Proceeds on Insurance Claims (2)	-	-	-	-	-
Green Infrastructure Program (4)	(884,873)	(2,113,331)	(634,937)	(1,295,007)	(1,286,128)
Member Community Infrastructure Program (4)	(8,414,483)	(7,358,999)	(6,978,698)	(5,079,830)	(4,184,855)
Stormwater Community Cost-Share Disbursement (3)	(7,766,310)	(11,778,041)	(5,296,322)	(9,617,923)	(7,320,593)
Loss on Disposals of Equipment	(72,960)	(3,798,520)	(830,603)	(11,914,948)	(520,567)
Gain on Bond Defeasance	5,362,385	-	-	-	-
Loss on Bond Defeasance	-	-	(1,111,736)	(1,039,979)	-
Loss on Non-Operating Miscellaneous Transactions	-	-	-	(11,300)	-
Loss on Extraordinary Events	-	-	-	-	-
Interest Expense on Long-Term Debt, Leases and Subscriptions (7) (8)	(50,354,828)	(50,836,638)	(52,011,174)	(55,906,837)	(55,891,482)
Asset Retirement Obligation Non-Operating Transaction	-	-	30,892	297,885	-
Gain on Early Lease Termination	-	-	1,447	-	-
Federal Subsidy Revenue	1,415,306	1,541,215	1,532,914	1,529,360	1,538,762
Total Non-Operating Revenues (Expenses), Net	(27,443,604)	(45,107,215)	(59,804,314)	(82,314,060)	(62,200,125)
Change in Net Position	\$ 184,789,323	\$ 156,867,088	\$ 169,208,809	\$ 169,808,710	\$ 99,192,940

- (1) Other Operating Expenses include Agreement with the Cleveland Metroparks for the Regional Stormwater Management Program.
- (2) Proceeds from the flood at the Southerly WWTP.
- (3) Beginning 2016, Stormwater Community Cost-Share is classified to non-operating expenses.
- (4) Beginning 2017, Green Infrastructure and Member Community Infrastructure Programs are classified to non-operating expenses.
- (5) Beginning 2016, the Sewer District started tracking stormwater utility's indirect support costs related to Sewer District's services to reflect what portion of these indirect, or overhead, costs should be allocated to the stormwater utility.
- (6) Restated to comply with GASB 83 for 2019.
- (7) Restated to comply with GASB 87 for 2021.
- (8) Restated to comply with GASB 96 for 2022.
- (9) Restated to comply with GASB 101 for 2023.

Source: Sewer District accounting records.

2019 (6)	2018	2017	2016	2015
\$ 310,986,925	\$ 301,523,258	\$ 273,964,177	\$ 266,840,893	\$ 237,570,432
27,610,406	23,142,825	22,848,020	17,970,171	16,684,685
1,615,509	1,392,876	2,567,476	1,972,379	5,428,088
340,212,840	326,058,959	299,379,673	286,783,443	259,683,205
43,907,185	43,029,033	43,734,464	25,487,614	20,424,261
927,462	935,644	766,301	765,778	322,691
-	-	-	-	-
44,834,647	43,964,677	44,500,765	26,253,392	20,746,952
385,047,487	370,023,636	343,880,438	313,036,835	280,430,157
53,823,645	52,726,122	52,144,371	49,878,369	47,918,213
40,663,563	31,535,641	29,221,894	22,495,670	14,563,011
12,248,936	14,729,821	13,601,569	14,187,719	16,284,328
25,952,405	32,255,207	32,211,644	29,842,682	21,988,568
9,846,136	5,708,698	4,575,795	2,587,719	3,725,796
(4,186,298)	(3,974,441)	(3,755,359)	(3,612,532)	-
80,596,851	71,733,140	71,496,416	66,605,940	62,825,528
218,945,238	204,714,188	199,496,330	181,985,567	167,305,444
3,257,406	2,606,546	1,353,653	590,438	-
526,322	382,135	196,233	82,758	-
34,238,683	23,472,515	19,503,698	4,517,336	-
109,590	756,779	121,598	50,417	-
4,186,298	3,974,441	3,755,359	3,612,532	-
-	-	-	-	-
42,318,299	31,192,416	24,930,541	8,853,481	-
261,263,537	235,906,604	224,426,871	190,839,048	167,305,444
123,783,950	134,117,032	119,453,567	122,197,787	113,124,713
7,843,503	5,573,074	3,833,084	2,901,760	2,526,049
-	-	-	-	-
604,848	378,689	(518,063)	494,661	(1,173,193)
-	521,873	206,905	223,125	1,383,547
(177,781)	(4,534)	(97,733)	(187,668)	(707,409)
-	-	7,112	64,597	-
(2,102,179)	(1,361,640)	(1,318,460)	-	-
(2,331,313)	(4,911,520)	(3,118,863)	-	-
(8,511,830)	(4,218,308)	(2,626,418)	(72,190)	-
(649,659)	(385,744)	(301,070)	(3,319,289)	(4,323,785)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(1,614)	(180,025)
(60,975,839)	(59,784,224)	(58,980,224)	(60,317,727)	(62,616,911)
-	-	-	-	-
-	-	-	-	-
4,801,356	6,497,151	6,472,856	6,465,915	6,469,385
(61,498,894)	(57,695,183)	(56,440,874)	(53,748,430)	(58,622,342)
\$ 62,285,056	\$ 76,421,849	\$ 63,012,693	\$ 68,449,357	\$ 54,502,371

NORTHEAST OHIO REGIONAL SEWER DISTRICT
REVENUES BY TYPE
LAST TEN YEARS

	2024	2023	2022	2021 (2)
<u>Operating Revenues, Net</u>				
Sewage and Stormwater Service Fees				
City of Cleveland Billing Agent	\$ 426,420,814	\$ 410,091,834	\$ 395,981,315	\$ 387,061,089
Other Billing Agents	8,701,338	7,596,144	7,455,988	7,458,484
Other Sewage and Stormwater Service Fees	33,646,135	36,244,197	31,057,763	29,784,799
Other Operating Revenue (2)	2,994,714	2,807,529	2,064,125	2,282,303
Total Operating Revenues, Net	471,763,001	456,739,704	436,559,191	426,586,675
<u>Non-Operating Revenues, Net</u>				
Interest Revenue (2)	31,419,548	24,256,066	7,016,656	1,666,422
Increase (Decrease) in Fair Value of Investments, Net	1,814,296	4,942,718	(2,561,068)	(980,218)
Lease Revenue (2)	38,315	38,315	38,315	38,315
Gain on Early Lease Termination	-	-	1,447	-
Gain on Cash Bond Defeasance	5,362,385	-	-	-
Proceeds from Insurance Claims (1)	-	-	-	-
Asset Retirement Obligation Non-Operating Transactions	-	-	30,892	297,885
Federal Subsidy Revenue	1,415,306	1,541,215	1,532,914	1,529,360
Non-Operating Grant Revenue	7,530,243	7,809,674	1,000,000	-
Total Non-Operating Revenues, Net	47,580,093	38,587,988	7,059,156	2,551,764
Total Revenues	<u>\$ 519,343,094</u>	<u>\$ 495,327,692</u>	<u>\$ 443,618,347</u>	<u>\$ 429,138,439</u>

(1) Proceeds from Southerly Flood event.

(2) 2021 restated to comply with GASB 87.

Source: Sewer District accounting records.

2020	2019	2018	2017	2016	2015
\$ 357,782,897	\$ 348,360,168	\$ 338,466,864	\$ 311,616,663	\$ 275,275,862	\$ 242,170,836
6,894,437	6,533,942	6,085,427	6,081,978	17,052,645	15,823,857
30,157,879	28,537,868	24,078,469	23,614,321	18,735,949	17,007,376
1,934,219	1,615,509	1,392,876	2,567,476	1,972,379	5,428,088
396,769,432	385,047,487	370,023,636	343,880,438	313,036,835	280,430,157
4,468,117	7,843,503	5,573,074	3,833,084	2,901,760	2,526,049
996,621	604,848	378,689	(518,063)	494,661	(1,173,193)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,112	64,597	-
-	-	-	-	-	-
1,538,762	4,801,356	6,497,151	6,472,856	6,465,915	6,469,385
-	-	521,873	206,905	223,125	1,383,547
7,003,500	13,249,707	12,970,787	10,001,894	10,150,058	9,205,788
<u>\$ 403,772,932</u>	<u>\$ 398,297,194</u>	<u>\$ 382,994,423</u>	<u>\$ 353,882,332</u>	<u>\$ 323,186,893</u>	<u>\$ 289,635,945</u>

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

	2024	2023 (4)	2022 (3)	2021 (2)
Salaries and Wages	\$ 66,647,410	\$ 62,107,654	\$ 57,608,974	\$ 56,168,749
Fringe Benefits	24,188,415	20,230,775	(4,079,069)	(27,441,345)
Power	12,331,775	12,015,996	9,030,269	8,619,352
Materials and Supplies	11,770,687	10,514,270	9,531,881	8,989,219
Collection Fees	10,005,960	9,734,223	9,189,095	8,876,531
Gas	1,031,315	1,134,734	1,065,254	904,151
Chemicals	3,818,600	3,376,840	3,424,727	3,000,729
Repairs and Maintenance	4,340,086	3,898,584	3,331,489	3,649,209
Solids Handling	2,221,110	2,795,262	2,255,692	2,196,867
Water	934,638	1,156,431	943,156	868,341
Professional Services	15,632,246	13,997,916	11,780,324	14,900,635
Insurance	1,562,327	1,484,095	1,368,806	1,223,164
Judgments and Awards	18,555	106,500	12,070	(3,139)
All Other Expenses	19,774,755	24,876,002	17,916,718	12,410,153
Capitalized Construction Costs	(7,517,038)	(6,294,901)	(5,688,429)	(5,508,825)
Depreciation and Amortization	92,769,233	93,631,020	89,855,111	85,610,114
Total Operating Expenses	<u>\$ 259,530,074</u>	<u>\$ 254,765,401</u>	<u>\$ 207,546,068</u>	<u>\$ 174,463,905</u>

(1) Restated to comply with GASB 83.

(2) Restated to comply with GASB 87.

(3) Restated to comply with GASB 96.

(4) Restated to comply with GASB 101.

Source : Sewer District accounting records.

2020	2019 (1)	2018	2017	2016	2015
\$ 57,173,997	\$ 57,081,051	\$ 55,332,668	\$ 53,498,024	\$ 50,468,807	\$ 47,918,213
32,034,574	41,189,885	31,917,776	29,418,128	22,578,428	14,563,011
9,432,548	9,008,321	11,216,797	10,052,193	10,652,319	12,072,308
8,722,318	8,602,651	7,816,290	7,088,671	6,820,729	5,676,639
8,804,820	8,679,625	8,275,350	8,506,812	8,000,246	7,870,531
1,147,356	1,285,320	1,689,079	1,326,027	1,314,239	1,818,054
3,047,424	3,131,901	2,617,257	2,062,888	2,390,757	2,865,628
3,010,519	3,244,813	2,837,255	3,172,685	2,290,027	3,154,329
1,568,460	1,450,778	1,459,652	1,546,734	1,763,205	1,170,548
884,816	1,065,318	1,007,341	1,159,576	1,069,671	977,437
20,571,283	27,648,097	29,405,301	23,678,268	16,550,378	6,004,935
989,625	959,418	882,305	762,390	764,709	778,421
-	-	-	-	-	-
12,685,445	23,097,906	17,875,618	18,981,336	9,627,486	8,353,217
(6,311,545)	(5,778,398)	(8,159,225)	(8,323,277)	(10,057,893)	(8,743,355)
81,614,727	80,596,851	71,733,140	71,496,416	66,605,940	62,825,528
<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>	<u>\$ 167,305,444</u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMMUNITIES SERVED BY THE SEWER DISTRICT
AND ESTIMATED POPULATION SERVED
DECEMBER 31, 2024**

Estimated Service		Estimated Service	
Municipality	Population ⁽¹⁾	Municipality	Population ⁽¹⁾
SUBDISTRICT 1			
Cleveland City	365,877		
SUBDISTRICT 2		SUBDISTRICT 2	
Bath Township	-	Mayfield Village	3,353
Beachwood City	13,867	Middleburg Heights City	15,557
Bedford City	- ⁽³⁾	Moreland Hills Village	3,326
Bedford Heights City	18 ⁽³⁾	Newburgh Heights Village	1,789
Berea City	17,787	North Randall Village	920
Boston Heights Village	754 ⁽²⁾	North Royalton City	3,722 ⁽²⁾
Bratenahl Village	1,393	Northfield Center Township	5,458
Brecksville City	13,373 ⁽²⁾	Northfield Village	3,480
Broadview Heights City	15,090 ⁽²⁾	Oakwood Village	1,507 ⁽²⁾
Brook Park City	17,906	Olmsted Falls City	8,560 ⁽²⁾
Brooklyn City	10,970	Olmsted Township	9,394 ⁽²⁾
Brooklyn Heights Village	1,485	Orange Village	1,114 ⁽²⁾
Cleveland Heights City	44,384	Parma City	78,323
Columbia Township	3,956 ⁽²⁾	Parma Heights City	19,915
Cuyahoga Heights Village	547	Pepper Pike City	6,714 ⁽²⁾
East Cleveland City	13,631	Richfield Township	1,186 ⁽²⁾
Euclid City	288 ⁽²⁾	Richfield Village	3,760 ⁽²⁾
Garfield Heights City	29,040	Richmond Heights City	4,725 ⁽²⁾
Gates Mills Village	386 ⁽²⁾	Sagamore Hills Township	10,731
Glenwillow Village	30 ⁽²⁾	Seven Hills City	11,812
Highland Heights City	8,631	Shaker Heights City	28,916
Highland Hills Village	780	Solon City	142 ⁽²⁾
Hudson City	9,220 ⁽²⁾	South Euclid City	20,616
Hunting Valley	2	Strongsville City	26,491 ⁽²⁾
Independence City	7,412	Twinsburg City	- ⁽²⁾
Lakewood City	94 ⁽³⁾	Twinsburg Township	563 ⁽²⁾
Linndale Village	116	University Heights City	13,186
Lyndhurst City	13,914	Valley View Village	1,817
Macedonia City	11,912	Walton Hills Village	1,990
Maple Heights City	22,941	Warrensville Heights City	13,603
Mayfield Heights City	20,319	Willoughby Hills City	- ⁽³⁾
Total Subdistrict 2			582,916
Total Estimated Service Population			948,793

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

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

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

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**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SEWER LARGEST CUSTOMERS OF THE DISTRICT
AS OF DECEMBER 31, 2024
and NINE YEARS PRIOR**

	2024			
	CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
SUBDISTRICT 1				
CUYAHOGA METROPOLITAN HOUSING AUTHORITY (2)	76,866.3	\$ 9,346,745	2	2.2%
CLEVELAND CLINIC FOUNDATION (2)	59,478.5	7,156,484	3	1.7%
DEPARTMENT OF PUBLIC UTILITIES	37,693.9	6,643,400	4	1.6%
UNIVERSITY HOSPITAL HEALTH SYSTEM (2)	28,987.3	2,846,063	5	0.7%
CUYAHOGA COUNTY (2)	20,513.7	2,392,101	6	0.6%
CASE WESTERN RESERVE UNIVERSITY	14,560.8	1,763,749	9	0.4%
CLEVELAND-CLIFFS INC (formerly ARCELOR MITTAL STEEL)	13,140.3	1,638,507	10	0.4%
MEDICAL CENTER COMPANY	11,417.2	1,373,231	11	0.3%
PPG INDUSTRIES, INC	10,553.5	1,270,074	13	0.3%
CLEVELAND STATE UNIVERSITY (2)	7,955.4	963,312	17	0.2%
METROHEALTH MEDICAL CENTER	7,605.0	917,854	18	0.2%
UNITED STATES DEPARTMENT OF VETERAN AFFAIRS (2)	7,336.1	883,824	20	0.2%
CLEVELAND HOPKINS AIRPORT	6,886.2	798,214	22	0.2%
MICELI DAIRY	6,241.6	2,413,193	23	0.6%
CITY OF CLEVELAND	4,366.5	532,343	26	0.1%
CLEVELAND BOARD OF EDUCATION	-	-	-	-
FERRO CORP (2)	-	-	-	-
INLAND WATERS OF OHIO	-	-	-	-
SHERWIN WILLIAMS (2)	-	-	-	-
CLEVELAND METROPARKS ZOO	-	-	-	-
Total Subdistrict 1	313,602.3	\$ 40,939,094		9.7%
SUBDISTRICT 2				
SUMMIT COUNTY ENVIRONMENTAL SERVICES (3)	119,997.2	\$ 16,169,315	1	3.8%
ALCOA - ALUMINUM COMPANY OF AMERICA	16,956.1	2,038,598	7	0.5%
K&D MANAGEMENT	16,443.5	1,976,742	8	0.5%
VILLAGE OF RICHFIELD	12,090.5	1,264,701	12	0.3%
NASA JOHN GLENN RESEARCH CENTER	10,255.7	1,235,430	14	0.3%
FORD MOTOR COMPANY	7,070.5	876,803	15	0.2%
CHARTER STEEL	4,597.2	553,864	16	0.1%
FOREST CITY MANAGEMENT (2)	7,555.8	910,658	19	0.2%
POLYMER ADDITIVES, INC.	7,303.9	994,114	21	0.2%
DRAKE HEIGHTS, LLC	4,782.20	575,572	24	0.1%
CUYAHOGA COMMUNITY COLLEGE (2)	4,410.30	539,062	25	0.1%
BROOKLYN ACRES HOMES (2)	-	-	-	-
ZEHMAN & WOLFE MANAGEMENT	-	-	-	-
Total Subdistrict 2	211,462.9	\$ 27,134,859		6.5%
Grand Total	\$ 525,065.3	\$ 68,073,953		16.2%

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

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

(3) Eaton Estates /Nagy Park (Summit County) are included in an entire list of meter read info from Summit County. Overall the Sewer District is billing Summit County more MCF with the meter read approach than what the Sewer District billed with the prior master meters & Eaton/Nagy list.

Source: 2024 Sewer District accounting records and City of Cleveland Division of Water billing records from PBI, provided by the Sewer District Billing Department.

2015			
CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
67,338.6	\$ 4,707,395	1	1.7%
12,122.1	830,201	7	0.3%
35,280.8	2,939,825	2	1.0%
15,481.7	1,052,835	6	0.4%
16,328.5	1,131,691	5	0.4%
18,028.0	1,228,096	4	0.4%
6,778.0	793,176	9	0.3%
-	-	-	-
-	-	-	-
5,639.0	390,226	15	0.1%
7,705.8	526,947	14	0.2%
2,385.8	160,479	24	0.1%
-	-	-	-
-	-	-	-
-	-	-	-
9,427.2	649,434	11	0.2%
9,860.1	574,285	12	0.2%
3,641.4	387,965	16	0.1%
4,056.8	282,749	19	0.1%
2,523.9	198,454	22	0.1%
216,597.7	\$ 15,853,758		5.7%
9,761.3	\$ 728,554	10	0.3%
21,167.3	1,507,281	3	0.5%
-	-	-	-
-	-	-	-
7,900.0	566,853	13	0.2%
4,788.40	348,535	17	0.1%
4,827.9	344,343	18	0.1%
11,765.7	829,392	8	0.3%
-	-	-	-
-	-	-	-
3,245.1	226,991	20	0.1%
2,871.2	209,443	21	0.1%
2,646.3	184,968	23	0.1%
68,973.2	\$ 4,946,360		1.8%
285,570.9	\$ 20,800,118		7.4%

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

Debt by Type, In Thousands	2024	2023	2022	2021
Revenue Bond Issues				
\$68,280 Series 2005 (A)	\$ -	\$ -	\$ -	\$ -
\$126,055 Series 2007 (B) (F) (G)	-	-	-	-
\$336,930 Series 2010 (C)	-	85,210	85,210	85,210
\$249,535 Series 2013 (D) (H)	-	-	-	1,915
\$350,570 Series 2014A (E)	-	3,885	7,590	62,865
\$68,460 Series 2014B (F)	-	-	-	-
\$25,015 Series 2016 (G)	14,430	21,075	21,265	21,445
\$241,595 Series 2017 (H)	234,965	238,010	239,195	239,840
\$245,005 Series 2019 (J)	217,085	245,005	245,005	245,005
\$244,895 Series 2020 (K)	142,985	204,225	205,920	240,025
\$114,295 Series 2021 (L)	88,855	109,520	111,300	113,070
\$135,750 Series 2024 (M)	135,750	-	-	-
Total Revenue Bond Issues	<u>834,070</u>	<u>906,930</u>	<u>915,485</u>	<u>1,009,375</u>
Bond Premium	40,037	23,828	26,512	32,407
Bond Discount	(7)	(12)	(14)	(15)
Total Revenue Bonds	<u>874,100</u>	<u>930,746</u>	<u>941,983</u>	<u>1,041,767</u>
Water Pollution Control Loans	1,005,915	994,523	968,851	906,310
Total Bonds and Loans	<u>1,880,015</u>	<u>1,925,269</u>	<u>1,910,834</u>	<u>1,948,077</u>
Other Noncurrent Obligations:				
Lease Liability (M)	499	221	317	-
SBITA Liability (N)	1,498	3,248	5,121	-
Total Other Noncurrent Obligations	<u>1,997</u>	<u>3,469</u>	<u>5,438</u>	<u>-</u>
Total All Debt	<u>\$ 1,882,012</u>	<u>\$ 1,928,738</u>	<u>\$ 1,916,272</u>	<u>\$ 1,948,077</u>
Number of Customer Accounts (1)	326,030	325,688	325,616	325,032
Outstanding Debt Per Customer Account	\$ 5,773	\$ 5,911	\$ 5,868	\$ 5,993

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

Historical Number of Customer Accounts (see pages 122 & 123)	324,708 (1)	324,415 (1)	324,400 (1)	323,902 (1)
Less Master Meter Communities	(1)	(1)	(1)	(1)
Add estimated number of customers in Master Meter Communities	1,323	1,274	1,217	1,131
Number of Customer Accounts	<u>326,030</u>	<u>325,688</u>	<u>325,616</u>	<u>325,032</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 Notes 7 and 12 to the Audited Financial Statements for December 31, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

(L) The Series 2024 Bonds were issued on October 16, 2024 and refunded all or a portion of the Series 2010, 2016, 2017, 2019, 2020 and 2021 Bonds.

(M) The Sewer District implemented GASB No. 87, Leases.

(N) The Sewer District implemented GASB No. 96, Subscription-Based Information Technology Arrangements (SBITA).

Source: Sewer District accounting records.

2020	2019	2018	2017	2016	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,950
-	-	-	-	7,520	34,110
85,210	85,210	336,930	336,930	336,930	336,930
20,215	24,730	24,730	24,730	249,535	249,535
179,925	329,585	332,585	336,570	350,570	350,570
-	62,285	65,440	68,460	68,460	68,460
21,620	21,790	21,955	22,115	25,015	-
240,455	241,040	241,595	241,595	-	-
245,005	245,005	-	-	-	-
241,665	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,034,095</u>	<u>1,009,645</u>	<u>1,023,235</u>	<u>1,030,400</u>	<u>1,038,030</u>	<u>1,053,555</u>
43,984	63,704	48,533	53,979	59,638	66,503
(17)	(18)	(20)	(22)	(26)	-
<u>1,078,062</u>	<u>1,073,331</u>	<u>1,071,748</u>	<u>1,084,357</u>	<u>1,097,642</u>	<u>1,120,058</u>
814,932	707,522	595,876	515,685	490,186	497,778
<u>1,892,994</u>	<u>1,780,853</u>	<u>1,667,624</u>	<u>1,600,042</u>	<u>1,587,828</u>	<u>1,617,836</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,892,994</u>	<u>\$ 1,780,853</u>	<u>\$ 1,667,624</u>	<u>\$ 1,600,042</u>	<u>\$ 1,587,828</u>	<u>\$ 1,617,836</u>
324,323	323,865	323,664	323,877	325,225	326,496
\$ 5,837	\$ 5,499	\$ 5,152	\$ 4,940	\$ 4,882	\$ 4,955
323,214 (1)	322,758 (1)	322,574 (1)	322,799 (1)	311,441 (3)	312,837 (3)
1,110	1,108	1,091	1,079	13,787	13,662
<u>324,323</u>	<u>323,865</u>	<u>323,664</u>	<u>323,877</u>	<u>325,225</u>	<u>326,496</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)
2015	1,255,921	4.5%	\$ 60,919,487	\$ 48,506
2016	1,249,352	5.4%	62,496,228	50,023
2017	1,249,352	4.8%	65,900,676	52,783
2018	1,243,857	5.0%	68,087,050	54,739
2019	1,235,072	3.6%	69,783,547	56,502
2020	1,227,883	8.3%	73,578,996	59,923
2021	1,249,387	4.1%	77,733,984	62,790
2022	1,247,563	3.6%	78,423,857	63,448
2023	1,233,088	3.2%	84,294,292	68,360
2024	1,264,817	3.4%	n/a	n/a

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

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Principal Employers of Cuyahoga County, Ohio
As of December 31, 2024 and 2015

Employer Name (1)	2024			2015		
	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)
	12-31-2024			12-31-2015		
Cleveland Clinic Health System	51,351	1	7.75%	35,291	1	5.04%
Group Management Services Inc.	35,711	2	5.39%	-	-	-
Minute Men Cos.	27,987	3	4.22%	-	-	-
University Hospitals	25,936	4	3.91%	19,907	2	2.84%
Amazon	20,000	5	3.02%	-	-	-
US Federal Government	16,665	6	2.51%	-	-	-
Progressive Corp.	12,461	7	1.88%	9,330	4	1.33%
Walmart	10,750	8	1.62%	-	-	-
Giant Eagle Inc.	9,339	9	1.41%	9,016	5	1.29%
The MetroHealth System	7,688	10	1.16%	-	-	-
U.S. Office of Personnel Management	-	-	-	14,382	3	2.06%
State of Ohio	-	-	-	9,003	6	1.29%
United States Postal Service	-	-	-	8,478	7	1.21%
Cuyahoga County	-	-	-	7,772	8	1.11%
Cleveland Municipal School District	-	-	-	7,203	9	1.03%
City of Cleveland	-	-	-	6,666	10	0.95%
Total	217,888		32.87%	127,048		18.16%
Total Cuyahoga County Employment (2)			662,823			699,724

* Full-Time Equivalent.

(1) Sources are *Crain's Cleveland Business*, December 2024 and June 2015.

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

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

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

Department of Labor, Bureau of Labor Statistics.

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

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

	2024	2023	2022	2021
<u>TREATMENT PLANT FLOW</u>				
Billions of gallons of sewage treated per plant:				
Easterly	28.9	33.6	32.8	28.5
Southerly	39.5	43.6	46.3	41.6
Westerly	8.2	8.7	8.3	7.1
Total	<u>76.6</u>	<u>85.9</u>	<u>87.4</u>	<u>77.2</u>
Total sewage treated, in MCFs (1)	<u>10,240,642</u>	<u>11,483,957</u>	<u>11,679,818</u>	<u>10,317,794</u>
MCFs billed, total District (4)	<u>3,222,412</u>	<u>3,252,785</u>	<u>3,274,955</u>	<u>3,315,816</u>
<u>STAFFING LEVELS</u>				
Number of sewer employees:				
Plant Operations and Maintenance	420	428	417	399
Engineering	39	37	41	42
Finance	43	43	44	42
Human Resources	27	26	25	23
Information Technology	37	34	33	32
District Administration	21	20	18	18
Legal	10	10	10	11
Administration and External Affairs	43	35	34	29
Watershed Programs (2)	81	81	78	79
Total	<u>721</u>	<u>714</u>	<u>700</u>	<u>675</u>
Number of stormwater employees:				
Stormwater (3)	<u>39</u>	<u>39</u>	<u>37</u>	<u>39</u>
Total District employees	<u>760</u>	<u>753</u>	<u>737</u>	<u>714</u>
Budgeted employees, total District	<u>827</u>	<u>818</u>	<u>802</u>	<u>800</u>

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

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

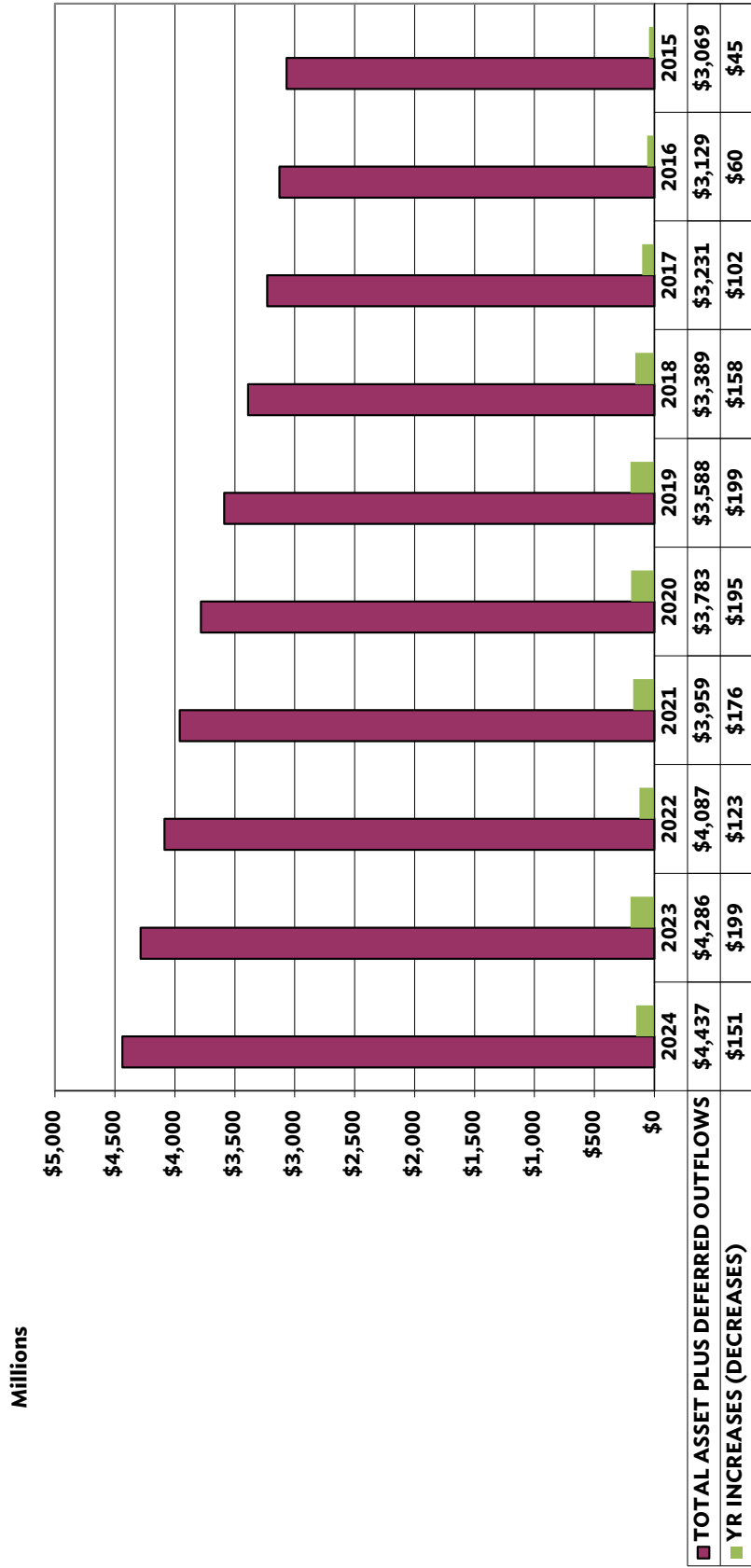
(3) The stormwater program began in 2016.

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

Source: Various Sewer District records.

2020	2019	2018	2017	2016	2015
31.5	32.3	34.2	29.9	26.3	29.4
47.7	45.5	48.3	44.8	41.0	47.7
8.3	9.3	9.8	8.6	9.0	9.7
87.5	87.1	92.3	83.3	76.3	86.8
11,701,894	11,640,856	12,339,572	11,136,364	10,200,535	11,604,278
3,338,726	3,511,140	3,569,084	3,757,322	3,703,561	3,665,500
416	411	432	424	427	410
43	47	63	64	66	64
46	46	45	43	43	43
25	21	29	30	30	27
34	33	35	36	24	19
18	37	17	14	15	13
11	10	11	10	10	8
30	38	38	41	33	27
77	82	82	105	94	83
700	725	752	767	742	694
40	39	36	26	8	-
740	764	788	793	750	694
816	820	824	809	773	761

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



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

	2024	2023	2022	2021
Number of Buildings				
<u>Operations</u>				
Southerly Plant	39	39	42	44
Easterly Plant	22	22	22	22
Westerly Plant	17	17	17	17
Outlying Pump Buildings	13	12	12	9
Total Operations	91	90	93	92
<u>Administration</u>				
District Administration	1	1	1	1
Environmental Maintenance and Services Center	4	4	4	4
Total Offices	5	5	5	5
Total Buildings	96	95	98	97
Miles of Interceptor Sewers Installed Annually*	0.03	0.25	2.32	0.5
Number of Outlying Systems				
<u>Sewage Collection System</u>				
Interceptor Sewers and Tunnels	27	27	27	25
Inter-Community Relief Sewers	30	30	30	30
Automated Regulators	40	41	41	39
Pumping Stations	16	15	14	13
Force Mains	8	9	9	8
Total Sewage Collection System	121	122	121	115
<u>Support Facilities</u>				
Floatables Control Sites	10	10	10	10
Biofilter Odor Control Sites	8	8	8	8
Rain Gauge Sites	30	30	30	30
Lakeview Dam	1	1	1	1
Total Support Facilities	49	49	49	49
Total Outlying Systems	170	171	170	164
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	434.5	434.5	434.5	434.5

*Total interceptor sewers are in excess of 200 miles.

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

2020	2019	2018	2017	2016	2015
45	45	45	45	44	43
22	22	22	21	21	20
17	17	17	17	17	17
9	9	9	7	6	6
93	93	93	90	88	86
1	1	1	1	1	1
4	4	4	4	4	4
5	5	5	5	5	5
98	98	98	95	93	91
3.73	3.33	3.53	0	0.20	1.40
25	23	22	21	21	21
30	30	30	30	30	30
34	35	31	32	32	32
13	13	13	10	9	9
8	8	5	5	5	5
110	109	101	98	97	97
10	10	10	10	10	10
8	8	8	8	8	8
30	30	30	29	28	28
1	1	1	1	1	1
49	49	49	48	47	47
159	158	150	146	144	144
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
14.7	14.7	14.7	14.7	14.7	14.7
434.5	434.5	434.5	434.5	434.5	434.5

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Sewage Accounts:</u>				
<u>Subdistrict 1</u>				
Cleveland (2)	118,118	118,317	118,571	118,702
<u>Subdistrict 2</u>				
Master Meter - Suburbs (1) (2)	1	1	1	1
Direct Service - Suburbs (2)	<u>206,589</u>	<u>206,097</u>	<u>205,828</u>	<u>205,199</u>
Subtotal	<u>206,590</u>	<u>206,098</u>	<u>205,829</u>	<u>205,200</u>
Total Sewage Accounts	<u>324,708</u>	<u>324,415</u>	<u>324,400</u>	<u>323,902</u>
Stormwater Only Accounts (3)	<u>21,274</u>	<u>21,020</u>	<u>21,193</u>	<u>21,276</u>
Total Customers	<u><u>345,982</u></u>	<u><u>345,435</u></u>	<u><u>345,593</u></u>	<u><u>345,178</u></u>

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

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

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

Source: Sewer District accounting records.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
118,800	118,958	119,325	120,031	122,204	123,722
1 <u>204,413</u>	1 <u>203,799</u>	1 <u>203,248</u>	1 <u>202,767</u>	3 <u>189,234</u>	3 <u>189,112</u>
<u>204,414</u>	<u>203,800</u>	<u>203,249</u>	<u>202,768</u>	<u>189,237</u>	<u>189,115</u>
<u>323,214</u>	<u>322,758</u>	<u>322,574</u>	<u>322,799</u>	<u>311,441</u>	<u>312,837</u>
<u>21,621</u>	<u>22,094</u>	<u>20,533</u>	<u>20,723</u>	<u>35,152</u>	<u>-</u>
<u><u>344,835</u></u>	<u><u>344,852</u></u>	<u><u>343,107</u></u>	<u><u>343,522</u></u>	<u><u>346,593</u></u>	<u><u>312,837</u></u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Subdistrict 1</u>				
Cleveland	1,378,248	1,404,411	1,426,143	1,434,227
<u>Subdistrict 2</u>				
Direct Service - Suburbs	1,833,664	1,837,947	1,839,400	1,872,785
Master Meter - Suburbs (1)	<u>10,500</u>	<u>10,427</u>	<u>9,412</u>	<u>8,804</u>
Subtotal	<u>1,844,164</u>	<u>1,848,373</u>	<u>1,848,812</u>	<u>1,881,589</u>
Total Service Area	<u><u>3,222,412</u></u>	<u><u>3,252,785</u></u>	<u><u>3,274,955</u></u>	<u><u>3,315,816</u></u>

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

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 (2)</u>	<u>2016</u>	<u>2015</u>
1,459,042	1,575,484	1,622,406	1,701,704	1,684,932	1,668,505
1,870,264	1,926,416	1,936,856	2,046,806	1,921,261	1,884,506
<u>9,420</u>	<u>9,240</u>	<u>9,822</u>	<u>8,812</u>	<u>97,368</u>	<u>112,489</u>
<u>1,879,684</u>	<u>1,935,656</u>	<u>1,946,678</u>	<u>2,055,618</u>	<u>2,018,629</u>	<u>1,996,995</u>
<u><u>3,338,726</u></u>	<u><u>3,511,140</u></u>	<u><u>3,569,084</u></u>	<u><u>3,757,322</u></u>	<u><u>3,703,561</u></u>	<u><u>3,665,500</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)

	2024	2023 (6)	2022 (5)	2021 (4)
Sewer Operating Revenues, Net	\$ 420,568	\$ 408,124	\$ 389,883	\$ 382,205
Non-Operating Sewer Revenues	35,078	26,088	4,894	987
Total Revenues	455,646	434,212	394,777	383,192
Sewer Operating Expenses (Exclusive of depreciation and Pension and OPEB)	136,244	127,987	116,216	114,637
Transfer to Rate Stabilization Account	-	-	-	-
Total Expenses	136,244	127,987	116,216	114,720
Net Revenues Available for Debt Service	\$ 319,402	\$ 306,225	\$ 277,053	\$ 268,456
Total Revenue Bond Debt Service (1), (2)	\$ 39,155	\$ 41,446	\$ 43,753	\$ 47,928
Coverage on Revenue Bond Debt Service	8.16	7.39	6.33	5.60
Total All Debt Service (1)	\$ 105,979	\$ 115,773	\$ 110,298	\$ 103,419
Coverage on Total Debt Service	3.01	2.65	2.51	2.60

(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, 2024 were:

	2024	2023 (6)	2022	2021
Revenue Bond Issues and Debt Service				
\$68,280 Series 2005 (A)	\$ -	\$ -	\$ -	\$ -
\$126,055 Series 2007 (B) (F) (H)	-	-	-	-
\$336,930 Series 2010 (C) (G)	4,254	4,634	4,634	4,634
\$249,535 Series 2013 (D) (I)	-	-	2,004	4,362
\$350,570 Series 2014A (E)	4,040	4,226	5,072	9,066
\$68,460 Series 2014B (F)	-	-	-	-
\$25,015 Series 2016 (H)	731	828	823	824
\$241,595 Series 2017 (I)	11,735	11,806	10,743	10,204
\$245,005 Series 2019 (J)	7,540	7,959	7,959	7,959
\$244,895 Series 2020 (K)	6,990	7,943	8,477	8,985
\$114,295 Series 2021 (L)	3,865	4,051	4,041	1,894
\$135,750 Series 2024 (M)	-	-	-	-
Total Revenue Bond Issues and Debt Service	39,155	41,446	43,753	47,928
WPCLF Debt Service	66,824	74,326	66,545	55,491
Total All Debt Service	\$ 105,979	\$ 115,773	\$ 110,298	\$ 103,419

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

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

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

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

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

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

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

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

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

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

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

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

(M) The Series 2024 Bonds were issued on October 16, 2024 and refunded all or a portion of the Series 2010, 2016, 2017, 2019, 2020 and 2021 Bonds.

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

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

(4) Restated 2021 to comply with GASB 87.

(5) Restated 2022 to comply with GASB 96.

(6) Restated 2023 to comply with GASB 101.

Source: Sewer District accounting records.

2020	2019	2018	2017 (3)	2016 (3)	2015 (3)
\$ 352,075	\$ 340,213	\$ 326,059	\$ 299,380	\$ 286,783	\$ 259,683
5,138	8,449	5,138	3,315	3,397	1,353
<u>357,213</u>	<u>348,662</u>	<u>331,197</u>	<u>302,695</u>	<u>290,180</u>	<u>261,036</u>
116,197	117,914	121,864	131,755	118,992	104,480
-	-	-	-	-	6,000
<u>116,197</u>	<u>117,914</u>	<u>121,864</u>	<u>131,755</u>	<u>118,992</u>	<u>110,480</u>
<u>\$ 241,016</u>	<u>\$ 230,748</u>	<u>\$ 209,333</u>	<u>\$ 170,940</u>	<u>\$ 171,188</u>	<u>\$ 150,556</u>
\$ 48,997	\$ 44,679	\$ 51,163	\$ 62,907	\$ 63,428	\$ 42,425
4.92	5.16	3.80	2.72	2.70	3.55
\$ 96,921	\$ 94,420	\$ 95,770	\$ 107,612	\$ 111,612	\$ 94,104
2.49	2.44	2.03	1.59	1.53	1.60

2020	2019	2018	2017	2016	2015
\$ -	\$ -	\$ -	\$ -	\$ 14,648	\$ 7,517
-	-	-	338	3,373	4,457
4,634	6,755	13,335	13,360	13,367	13,363
5,467	952	952	12,172	12,172	6,086
10,926	18,301	19,485	30,182	16,182	8,091
-	6,209	6,225	3,205	3,205	2,911
824	824	823	3,650	481	-
10,203	10,201	10,343	-	-	-
7,959	1,437	-	-	-	-
8,984	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>48,997</u>	<u>44,679</u>	<u>51,163</u>	<u>62,907</u>	<u>63,428</u>	<u>42,425</u>
<u>47,924</u>	<u>49,741</u>	<u>44,607</u>	<u>44,705</u>	<u>48,184</u>	<u>51,678</u>
<u>\$ 96,921</u>	<u>\$ 94,420</u>	<u>\$ 95,770</u>	<u>\$ 107,612</u>	<u>\$ 111,612</u>	<u>\$ 94,103</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 / Rate Reduction Fixed Fee (4)	SUBDISTRICT 1				SUBDISTRICT 2			
			Standard		Homestead/Rate Red. (2)		Standard		Homestead/Rate Red. (2)	
			Rate (1)	% Change	Rate (1)	% Change	Rate (1)	% Change	Rate (1)	% Change
2015 (5)	\$2.30	\$	\$69.65	12.1	\$41.85	12.0	\$71.75	11.2	\$43.25	11.0
2016 (5)	2.40	-	78.05	12.1	46.85	11.9	79.85	11.3	48.05	11.1
2017	3.60	2.15	83.10	6.5	49.85	6.4	84.60	5.9	50.85	5.8
2018	4.95	2.95	88.40	6.4	53.05	6.4	89.60	5.9	53.85	5.9
2019	6.35	3.80	94.15	6.5	56.50	6.5	95.05	6.1	57.10	6.0
2020	7.95	4.75	100.15	6.4	60.10	6.4	100.75	6.0	60.50	6.0
2021	9.70	5.80	106.50	6.3	63.90	6.3	106.80	6.0	64.10	6.0
2022	10.10	6.05	110.95	4.2	66.55	4.1	110.95	3.9	66.55	3.8
2023	10.50	6.30	115.60	4.2	69.35	4.2	115.60	4.2	69.35	4.2
2024	10.95	6.55	120.45	4.2	72.25	4.2	120.45	4.2	72.25	4.2

(1) Per thousand cubic feet (MCF) of water consumed.

(2) Homestead rates were established in 1991 and Rate Reduction Program was established in 2012.

(3) A Fixed Fee per quarterly bill was established in the 2012 fiscal year.

(4) Starting 2017 fiscal year, a homestead/rate reduction fixed rate was established.

(5) Starting 2017 fiscal year, billing changed from quarterly to monthly billing. The fixed fee is calculated at a monthly rate for comparison to subsequent years.

Industrial Waste Surcharge

An additional charge is billed to industrial and other types of customers discharging wastewater which contains substances requiring more extensive treatment than effluent from residential customers.

The amount of this Industrial Waste Surcharge is calculated in accordance with formulas set forth in the Rate Resolution which take into account concentrations of suspended solids, biological oxygen demand and chemical oxygen demand based on waste loading determined by analysis or otherwise.

Minimum Quarterly Billing

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

Source: Sewer District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
STORMWATER FEE RATES
RATES AS OF DECEMBER 31, 2024**

Type of property	Tier Type	Impervious surface area (sq. ft.)*	2024 (1) (3)	2023 (1) (3)	2022 (1) (3)	2021 (1)	2020 (1)	2019 (1)
Residential	Tier 1	Less than 2,000	\$3.50	\$3.36	\$3.22	\$3.09	\$3.09	\$3.09
	Tier 2/Base	2,000-3,999	\$5.84	\$5.60	\$5.37	\$5.15	\$5.15	\$5.15
	Tier 3	4,000 or more	\$10.49	\$10.07	\$9.66	\$9.27	\$9.27	\$9.27
	Homestead/Rate Reduction	Any size	\$2.34	\$2.25	\$2.16	\$2.07	\$2.07	\$2.07
Non-residential	All	Per ERU, or 3,000 square feet	\$5.84	\$5.60	\$5.37	\$5.15	\$5.15	\$5.15
	Educational Economically Disadvantaged (2)	Per ERU, or 3,000 square feet	\$2.34	\$2.25	\$2.16	\$2.07	\$2.07	\$2.07

All fees above are per month.

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

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

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

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

Source: Sewer District accounting records.

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
CAPITAL IMPROVEMENT PROGRAM
USES AND SOURCES OF FUNDS
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2034
(In Thousands of Dollars)**

	2025	2026	2027	2028	2029
WASTERWATER					
<u>USES OF FUNDS</u>					
Sewage Treatment Plant Improvements	\$ 48,756,300	\$ 27,596,800	\$ 41,821,044	\$ 17,939,168	\$ 18,933,968
Interceptors/Rehabilitation	26,990,663	15,136,916	13,141,179	7,722,584	4,666,929
Combined Sewer Overflow Control Program	157,977,004	165,631,765	193,866,310	190,126,795	87,072,441
District-wide Building Improvements and Other Improvements	11,256,480	19,514,661	14,730,606	12,258,075	20,967,562
Information Technology and Other Minor Equipment	12,071,399	5,841,499	2,687,575	3,100,575	1,156,500
Capital Labor	7,000,000	7,000,000	7,000,000	6,500,000	4,000,000
Total	<u>\$ 264,051,846</u>	<u>\$ 240,721,641</u>	<u>\$ 273,246,714</u>	<u>\$ 237,647,197</u>	<u>\$ 136,797,400</u>
<u>SOURCES OF FUNDS</u>					
WPCLF (1)	\$ 22,132,629	\$ 58,629,100	\$ 116,326,209	\$ 103,411,828	\$ 43,119,564
Grants	2,500,000	-	-	-	-
Internally Generated Funds/Reserves	239,419,217	182,092,541	156,920,505	134,235,369	93,677,836
Total	<u>\$ 264,051,846</u>	<u>\$ 240,721,641</u>	<u>\$ 273,246,714</u>	<u>\$ 237,647,197</u>	<u>\$ 136,797,400</u>
STORMWATER					
<u>USES OF FUNDS</u>					
District-Wide Activities	\$ 7,667,000	\$ 16,472,912	\$ 7,205,000	\$ 267,000	\$ 4,285,200
Capital Land	4,000,000	1,000,000	4,500,000	4,500,000	4,500,000
Capital Labor	15,000	15,000	20,000	20,000	15,000
Total	<u>\$ 11,682,000</u>	<u>\$ 17,487,912</u>	<u>\$ 11,725,000</u>	<u>\$ 4,787,000</u>	<u>\$ 8,800,200</u>
<u>SOURCES OF FUNDS</u>					
Grants	\$ 2,400,000	\$ 750,000	\$ -	\$ -	\$ 2,149,800
Internally Generated Funds/Reserves	9,282,000	16,737,912	11,725,000	4,787,000	6,650,400
Total	<u>\$ 11,682,000</u>	<u>\$ 17,487,912</u>	<u>\$ 11,725,000</u>	<u>\$ 4,787,000</u>	<u>\$ 8,800,200</u>

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

2030	2031	2032	2033	2034	TOTAL
\$ 7,322,066	\$ 9,051,350	\$ 3,796,062	\$ 3,775,644	\$ 8,991,190	\$ 187,983,592
5,155,770	4,964,564	113,463	10,972,987	67,600,780	156,465,835
45,194,402	26,705,750	10,248,373	13,049,569	2,656,173	892,528,582
38,033,253	34,700,855	44,858,944	31,910,453	62,374,226	290,605,115
11,418,850	11,164,388	10,884,384	10,577,530	12,199,629	81,102,329
3,000,000	2,500,000	2,000,000	1,500,000	2,500,000	43,000,000
<u>\$ 110,124,341</u>	<u>\$ 89,086,907</u>	<u>\$ 71,901,226</u>	<u>\$ 71,786,183</u>	<u>\$ 156,321,998</u>	<u>\$ 1,608,685,453</u>
\$ 21,813,905	\$ -	\$ -	\$ -	\$ -	\$ 365,433,235
-	-	-	-	-	2,500,000
88,310,436	89,086,907	71,901,226	71,786,183	156,321,998	1,283,752,218
<u>\$ 110,124,341</u>	<u>\$ 89,086,907</u>	<u>\$ 71,901,226</u>	<u>\$ 71,786,183</u>	<u>\$ 156,321,998</u>	<u>\$ 1,651,685,453</u>
\$ 9,589,538	\$ 4,327,235	\$ 4,057,934	\$ 4,404,918	\$ 4,441,615	\$ 62,718,352
4,500,000	3,000,000	2,000,000	2,000,000	1,000,000	31,000,000
20,000	15,000	10,000	10,000	10,000	150,000
<u>\$ 14,109,538</u>	<u>\$ 7,342,235</u>	<u>\$ 6,067,934</u>	<u>\$ 6,414,918</u>	<u>\$ 5,451,615</u>	<u>\$ 93,868,352</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,299,800
14,109,538	7,342,235	6,067,934	6,414,918	5,451,615	88,568,552
<u>\$ 14,109,538</u>	<u>\$ 7,342,235</u>	<u>\$ 6,067,934</u>	<u>\$ 6,414,918</u>	<u>\$ 5,451,615</u>	<u>\$ 93,868,352</u>

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Prepared by the Department of Finance

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**Northeast Ohio
Regional Sewer District**