

KEEPING OUR

Great Lake

GREAT



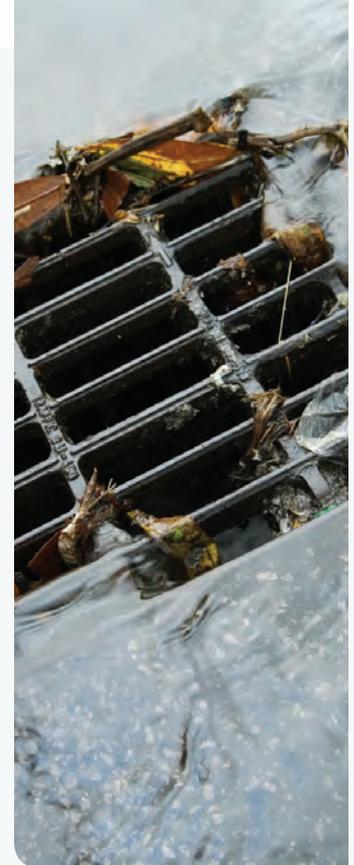




Profile of the District

The Northeast Ohio Regional 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 to assume the operation and management of certain wastewater collection, treatment, and disposal facilities serving the Cleveland metropolitan area. The Sewer District's service area covers approximately 350 square miles. It encompasses 97% of the City of Cleveland and all or portions of 61 suburban communities in Cuyahoga, Lake, Lorain, and Summit Counties. The service area contains a residential population in excess of one million persons and includes a diverse group of service, information, biotechnology, manufacturing, and processing industries. The Sewer District treats more wastewater than any other wastewater treatment system in the State of Ohio.

Year in Review



NEW STRATEGIC PLAN

Our dedication to enhancing quality of life and protecting water resources remains the District's core function, and our new Strategic Plan charts a course towards leading the region as a premier environmental organization.

PLANT PERFORMANCE

All three of our treatment plants continued to demonstrate reliability and excellence in meeting their permits in 2013.

MACKENZIE FINISHES DIG

We celebrated our 1,500-ton Tunnel Boring Machine's successful three-mile excavation of the Euclid Creek Tunnel, completed ahead of schedule and under budget. Mackenzie was named "International Project of the Year" by the Tunnelling Association of Canada.

COURT STRIKES DOWN STORMWATER PROGRAM

In September, the Ohio Eighth District Court of Appeals ruled that the District does not have the authority to implement its Regional Stormwater Management Program or collect a fee. The District has appealed the Court's ruling to the Supreme Court of Ohio and the case is scheduled to be heard in September 2014.



WATERSHED CENTER OPENS

In June, the District and Cleveland Metroparks celebrated the dedication of the Watershed Stewardship Center at West Creek in Parma. The District supported the Center with a \$3 million contribution and permanent on-site staff. The Center received a 2013 “Award of Excellence” from the Ohio Parks and Recreation Association, and is an opportunity to expand our watershed and environmental education efforts.



TOURS A-PLenty

Throughout the year, nearly 900 guests participated on 26 tour events at our Westerly plant.

MARVEL FILMING

In May, Lakeview Dam and Southerly Wastewater Treatment Plant served as filming locations for Captain America: The Winter Soldier.

#WAITTOTWEET NOTICED

Our infographic and stats about cell-phone-users’ toilet-texting trends was our way to educate customers about the flow of water beneath their seats. It received a nod from the Plain Dealer, Cleveland Scene, and Alan Cox’s radio show.



BEACH EFFORTS

In 2013, the District partnered with the Cuyahoga County Board of Health and WKYC TV-3 to educate viewers about the water quality at area beaches, and swimming safety updates were posted via Twitter.

In addition, a new partnership with Cleveland Metroparks that included the District purchasing beach cleaning machines resulted in better overall quality for Euclid Beach and Edgewater Park.



EMPLOYEE 5K FOR CHARITY

In September, the District held its first-ever Cuyahoga River Clean Water Classic 5K at Southerly. Coordinated by the Employee Charity Committee and the Health & Wellness Committee, the event contributed to the District’s total Charity Choice fundraising in 2013 reaching almost \$87,000.

The information in this Popular Annual Financial Report (PAFR) is compiled from our 2013 Comprehensive Annual Financial Report (CAFR). This and our other financial reports are available online at neorsd.org.

The Sewer District has accomplished a significant amount of work during the past year. We updated and revised the Sewer District's Strategic Plan to chart the organization's direction for the next four years. Through a series of facilitated work sessions, the Strategic Planning Committee revisited and refined the Sewer District's mission, crafted a new vision statement, reaffirmed the organization's core values, and developed strategic goals to guide the organization over the next four years.

Project Clean Lake, the Sewer District's \$3 billion, 25-year combined sewer overflow mitigation program, is progressing on schedule. "Mackenzie," our huge tunnel boring machine, has successfully mined and lined the Euclid Creek Tunnel, the first of six sizeable tunnels designed to capture combined sewage – a mixture of sanitary sewage and stormwater – until it can be treated at one of our three wastewater treatment plants. This tunnel project will be complete in 2015 and fully operational in 2016 when the accompanying pump station is online.

During 2013, the National Association of Clean Water Agencies (NACWA) honored all three of our Wastewater Treatment Plants for excellent performance in 2012. The District's Easterly and Westerly plants earned a Peak Performance Gold award that recognizes facilities with no National Pollutant Discharge Elimination System (NPDES) permit exceedences in a year. The Southerly plant earned a Peak Performance Silver award, which is presented to member agency facilities that have had five or less NPDES permit violations during a calendar year.

2013 was not without challenges, however. In July 2012, parties opposed to the District's Regional Stormwater Management Program filed an appeal to the 8th Appellate Court District to seek a halt to the Regional Stormwater Management Program. On September 26, 2013, the Appellate Court halted the program. The case is now in the briefing phase and it is expected that proceedings in the Supreme Court will be finalized by the end of 2014.

The Sewer District's Business Opportunity Program contributes to the economic health and vitality of the region by providing a greater opportunity for local firms. The Sewer District awarded \$19,874,893 worth of business to MBE/WBE/SBE businesses across Northeast Ohio in 2013, exceeding our targeted goals by more than 8 percent.

The preparation of this comprehensive annual financial report would not have been possible without the services of the Finance and Communications & Community Relations departments. We would like to express our appreciation to everyone who assisted and contributed to the preparation of this report.

Credit must also be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.



Julius Ciaccia, Executive Director

Communities Served

BY THE DISTRICT AND ESTIMATED POPULATION SERVED | DECEMBER 31, 2013

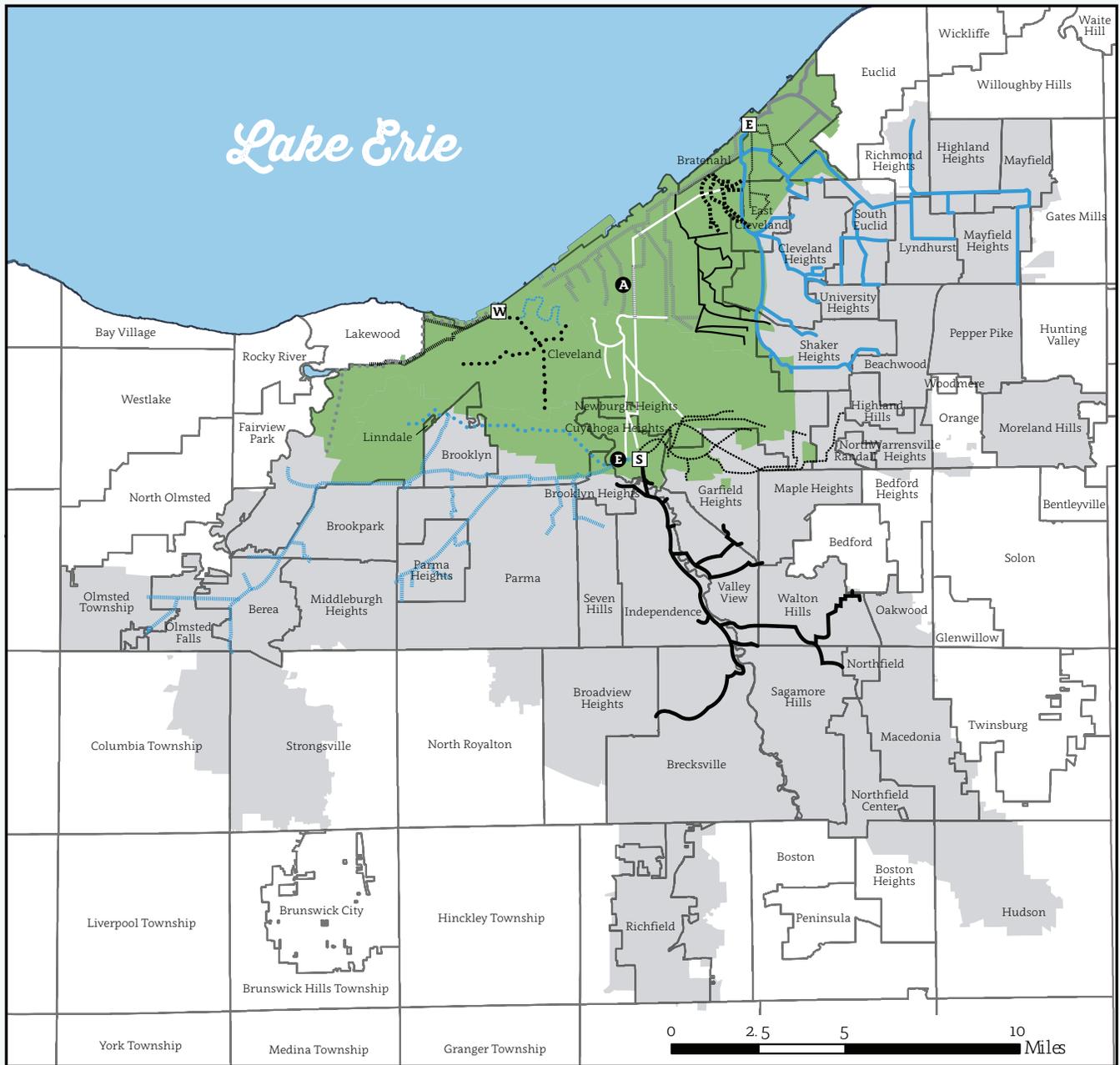
| Municipality | Estimated Service Population (1) |
|----------------------|----------------------------------|
| SUBDISTRICT 1 | |
| Cleveland City | 393,806 |

| Municipality | Estimated Service Population (1) |
|--------------------------|----------------------------------|
| SUBDISTRICT 2 | |
| Bath Township | - (3) |
| Beachwood City | 11,867 |
| Bedford City | - (3) |
| Bedford Heights City | - (3) |
| Berea City | 18,960 |
| Boston Heights Village | 552 (2) |
| Bratenahl Village | 1,188 |
| Brecksville City | 13,552 |
| Broadview Heights City | 15,580 (2) |
| Brook Park City | 19,063 |
| Brooklyn City | 11,082 |
| Brooklyn Heights Village | 1,531 |
| Cleveland Heights City | 45,764 |
| Columbia Township | 945 (2) |
| Cuyahoga Heights Village | 634 |
| East Cleveland City | 17,705 |
| Euclid City | 180 (2) |
| Garfield Heights City | 28,625 |
| Gates Mills Village | 274 (2) |
| Glenwillow Village | 30 (2) |
| Highland Heights City | 8,280 |
| Highland Hills Village | 1,125 |
| Hudson City | 8,787 (2) |
| Independence City | 7,078 |
| Lakewood City | - (3) |
| Linndale Village | 178 |
| Lyndhurst City | 13,893 |
| Macedonia City | 11,147 |
| Maple Heights City | 22,959 |
| Mayfield Heights City | 19,005 |
| Mayfield Village | 3,434 |

| Municipality | Estimated Service Population (1) |
|----------------------------|----------------------------------|
| SUBDISTRICT 2 | |
| Middleburg Heights City | 15,825 |
| Moreland Hills Village | 1,205 (2) |
| Newburgh Heights Village | 2,149 |
| North Randall Village | 1,020 |
| North Royalton City | 4,712 (2) |
| Northfield Center Township | 5,423 |
| Northfield Village | 3,663 |
| Oakwood Village | 1,558 (2) |
| Olmsted Falls City | 7,805 (2) |
| Olmsted Township | 4,993 (2) |
| Orange Village | 579 (2) |
| Parma City | 80,968 |
| Parma Heights City | 20,558 |
| Pepper Pike City | 2,981 (2) |
| Richfield Township | 573 (2) |
| Richfield Village | 1,569 (2) |
| Richmond Heights City | 4,251 (2) |
| Sagamore Hills Township | 10,907 |
| Seven Hills City | 11,711 |
| Shaker Heights City | 28,226 |
| Solon City | 170 (2) |
| South Euclid City | 21,619 (2) |
| Strongsville City | 25,712 (2) |
| Twinsburg City | 6 (2) |
| Twinsburg Township | 630 (2) |
| University Heights City | 13,445 |
| Valley View Village | 2,018 |
| Walton Hills Village | 2,263 |
| Warrensville Heights City | 13,437 |
| Willoughby Hills City | - (3) |

| | |
|---|----------------|
| Total Subdistrict 2 | 573,394 |
| Total Estimated Service Population | 967,200 |

(1) Based on U.S. Census Data and District administrative records.
 (2) Estimated population for the portion of the municipality within the service area of the District.
 (3) Service population not applicable. District serves non-residential properties only.



- A** McMonagle Administration Building - 3900 Euclid Avenue
- E** Environmental & Maintenance Services Center - 4747 East 49th Street
- E** Easterly Treatment Plant - 14021 Lakeshore Boulevard
- S** Southerly Treatment Plant - 6000 Canal Road
- W** Westerly Treatment Plant - 5800 West Memorial Shoreway
- Combined Sewer Area
- Separate Sewer Area

EASTERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

- E. 140th / E. 152nd-Ivanhoe Interceptors
- Easterly Interceptor
- Doan Valley Interceptor
- Dugway Interceptor
- Heights-Hilltop Interceptor & ICRS
- Lakeshore-Nottingham Interceptors

SOUTHERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

- Big Creek Interceptor
- Cuyahoga Valley Interceptor
- Mill Creek Interceptor
- Southerly Interceptor
- Southwest, West Leg Interceptors & ICRS

WESTERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

- Low Level Interceptor
- Northwest Interceptor
- Walworth Run Interceptor
- Westerly Interceptor

Historical Numbers

CUSTOMER ACCOUNTS 2011-2013

| | 2013 | 2012 | 2011 |
|------------------------------|----------------|----------------|----------------|
| SUBDISTRICT 1 | | | |
| Cleveland (1) | 125,422 | 126,357 | 125,832 |
| SUBDISTRICT 2 | | | |
| Master Meter - Suburbs (2) | 3 | 3 | 3 |
| Direct Service - Suburbs (1) | 187,859 | 186,934 | 183,985 |
| Subtotal | 187,862 | 186,937 | 183,988 |
| Total Customers | 313,284 | 313,294 | 309,820 |

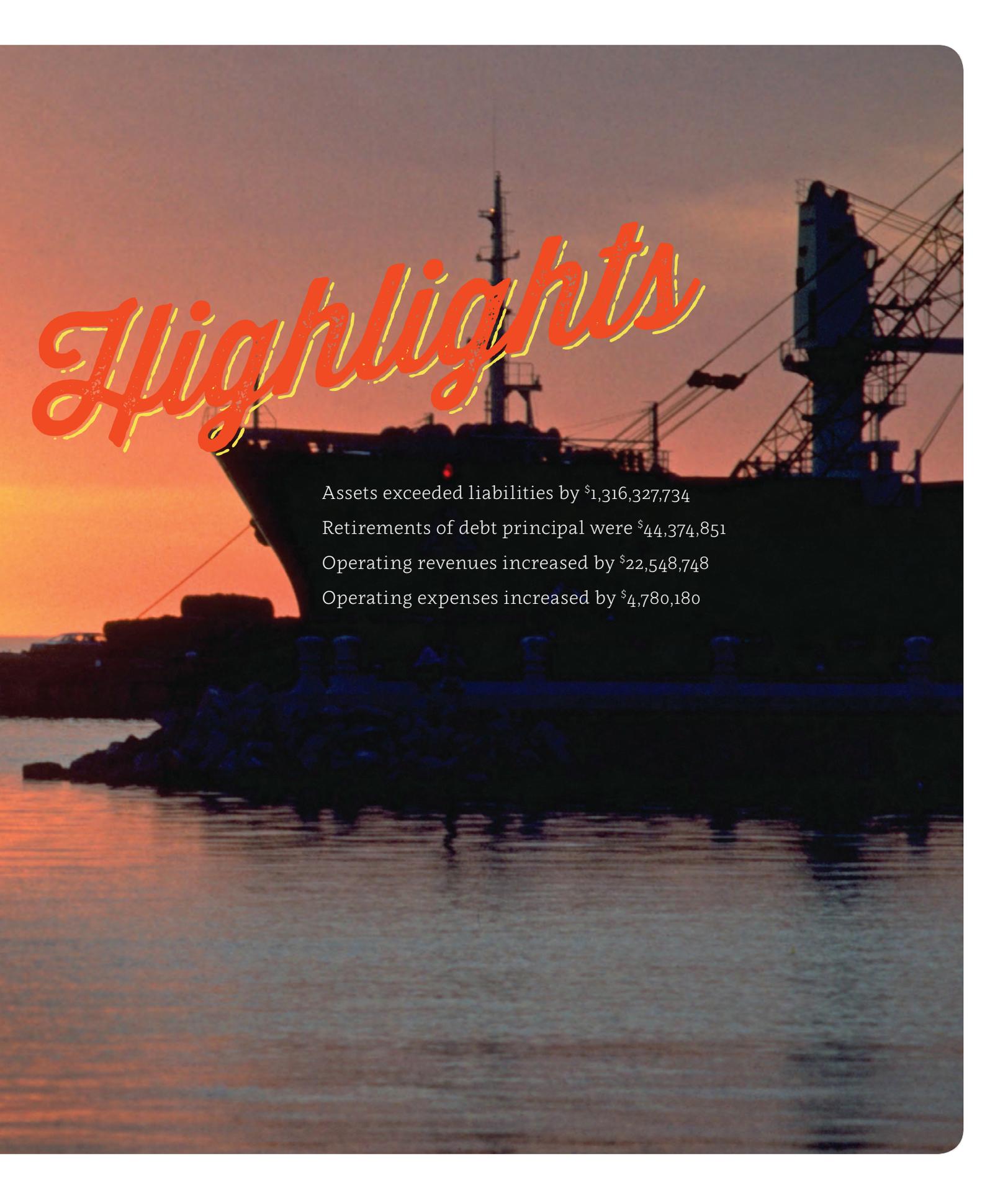
Annual Metered

BILLING QUANTITIES 2011-2013

| | 2013 | 2012 | 2011 |
|------------------------------|------------------|------------------|------------------|
| SUBDISTRICT 1 | | | |
| Cleveland | 1,706,438 | 1,781,276 | 1,881,996 |
| SUBDISTRICT 2 | | | |
| Direct Service - Suburbs (3) | 1,859,247 | 1,977,996 | 2,005,569 |
| Master Meter - Suburbs (1) | 143,503 | 136,544 | 209,320 |
| Subtotal | 2,002,750 | 2,114,540 | 2,214,889 |
| Total Service Area | 3,709,188 | 3,895,816 | 4,096,885 |



Financial



Highlights

Assets exceeded liabilities by \$1,316,327,734

Retirements of debt principal were \$44,374,851

Operating revenues increased by \$22,548,748

Operating expenses increased by \$4,780,180

Largest Customers

OF THE DISTRICT AS OF DECEMBER 31, 2013 & NINE YEARS PRIOR

2013

| | CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
|---|------------------------|---------------------|------|---------------------------------------|
| SUBDISTRICT 1 | | | | |
| Cuyahoga Metropolitan Housing Agency (2) | 73,545.1 | \$4,045,819 | 1 | 1.9% |
| City of Cleveland Water Filtration Plants | 42,901.8 | 3,194,294 | 2 | 1.5% |
| Case Western Reserve University | 30,915.4 | 1,655,135 | 3 | 0.8% |
| University Hospitals | 20,992.7 | 1,095,548 | 6 | 0.5% |
| Arcelor Mittal Steel (ISG Cleveland) | 13,412.2 | 963,056 | 7 | 0.5% |
| Cuyahoga County (2) | 15,824.9 | 871,189 | 8 | 0.4% |
| Cleveland Clinic (2) | 15,106.0 | 840,219 | 9 | 0.4% |
| Cleveland Board of Education | 15,035.5 | 824,475 | 10 | 0.4% |
| Ferro Corporation (2) | 9,913.3 | 552,779 | 13 | 0.3% |
| Veterans Administration Hospitals (2) | 8,819.1 | 501,018 | 14 | 0.2% |
| MetroHealth Medical Centers | 8,240.2 | 449,193 | 16 | 0.2% |
| Cleveland State University | 6,517.1 | 346,444 | 17 | 0.2% |
| Sherwin Williams (2) | 6,208.1 | 345,704 | 18 | 0.2% |
| Cleveland Metroparks Zoo | 3,742.4 | 270,177 | 19 | 0.1% |
| Inland Waters of Ohio | 3,303.2 | 258,155 | 20 | 0.1% |
| Cleveland Public Power | 3,114.6 | 171,864 | 24 | 0.1% |
| ISG Cleveland | - | - | - | - |
| Dominion Cleveland Thermal Energy Corporation | - | - | - | - |
| Synthetic Products | - | - | - | - |
| General Electric Company | - | - | - | - |
| Ninth Street - Euclid Ltd | - | - | - | - |
| Property Management Rental | - | - | - | - |
| Columbus Road Realty | - | - | - | - |
| Total Subdistrict 1 | 277,591.6 | 16,385,069 | | 7.8% |
| SUBDISTRICT 2 | | | | |
| Aluminum Corporation of America | 23,902.8 | 1,383,765 | 4 | 0.7% |
| NASA John H Glenn Research Center | 22,432.8 | 1,305,527 | 5 | 0.6% |
| Forest City Management (2) | 11,389.1 | 646,760 | 11 | 0.3% |
| Ford Motor Corporation | 18,311.3 | 624,335 | 12 | 0.3% |
| Eaton Estates / Nagy Park | 7,470.2 | 462,182 | 15 | 0.2% |
| Charter Steel | 4,192.7 | 243,906 | 21 | 0.1% |
| Cuyahoga County Community College (2) | 3,431.2 | 182,437 | 22 | 0.1% |
| Brooklyn Acres Homes (2) | 3,025.7 | 176,521 | 23 | 0.1% |
| Zehman & Wolfe Management | 1,820.9 | 105,019 | 25 | 0.1% |
| Total Subdistrict 2 | 95,976.7 | 5,130,452 | | 2.5% |
| Grand Total | 373,568.3 | \$21,515,521 | | 10.3% |

(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.

Source: District accounting records and City of Cleveland Division of Water billing records.

2004

| CONSUMPTION MCF (i) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
|------------------------|---------------------|------|---------------------------------------|
| 107,341.0 | \$3,449,045 | 1 | 2.6% |
| 33,322.2 | 1,110,132 | 4 | 0.8% |
| 26,712.7 | 851,079 | 8 | 0.6% |
| 18,773.8 | 617,380 | 11 | 0.5% |
| - | - | - | - |
| 17,333.7 | 555,292 | 13 | 0.4% |
| 55,829.0 | 1,791,711 | 2 | 1.3% |
| 26,165.4 | 838,758 | 9 | 0.6% |
| 14,460.8 | 456,351 | 15 | 0.3% |
| 12,540.3 | 392,657 | 16 | 0.3% |
| 20,159.4 | 646,685 | 10 | 0.5% |
| 10,204.8 | 341,312 | 17 | 0.3% |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 31,241.3 | 1,083,132 | 5 | 0.8% |
| 18,034.9 | 612,831 | 12 | 0.5% |
| 6,291.5 | 203,046 | 19 | 0.2% |
| 7,920.6 | 252,089 | 18 | 0.2% |
| 6,084.9 | 200,439 | 20 | 0.1% |
| 5,327.2 | 171,342 | 23 | 0.1% |
| 6,060.8 | 191,527 | 21 | 0.1% |
| 423,804.3 | 13,764,808 | | 10.2% |
| 31,130.0 | 912,703 | 6 | 0.7% |
| 29,844.3 | 877,281 | 7 | 0.7% |
| 16,217.8 | 490,690 | 14 | 0.4% |
| 58,129.7 | 1,727,017 | 3 | 1.3% |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 5,810.6 | 173,291 | 22 | 0.1% |
| 141,132.4 | 4,180,982 | | 3.2% |
| 564,936.7 | \$17,945,790 | | 13.4% |

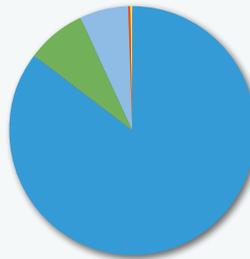
Revenues

2013

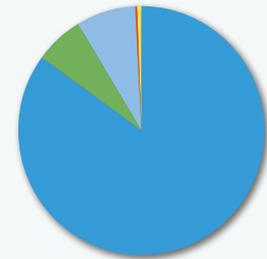
2012

Operating Revenues

| | | | |
|--|------------------|---------------|---|
| City of Cleveland sewer service fees | \$179,391 | 85.5% | ■ |
| Other Billing Agents Sewer Services Fees | \$13,210 | 6.3% | ■ |
| Direct Billed Sewer Service Fees | \$16,228 | 7.7% | ■ |
| Septic Tank and Municipal Sludge Fees | \$403 | 0.2% | ■ |
| Miscellaneous | \$558 | 0.3% | ■ |
| Total Operating Revenues | \$209,790 | 100.0% | |

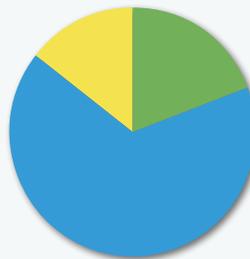


| | | | |
|--|------------------|---------------|---|
| City of Cleveland sewer service fees | \$159,114 | 85.0% | ■ |
| Other Billing Agents Sewer Services Fees | \$11,943 | 6.4% | ■ |
| Direct Billed Sewer Service Fees | \$14,832 | 7.8% | ■ |
| Septic Tank and Municipal Sludge Fees | \$504 | 0.3% | ■ |
| Miscellaneous | \$848 | 0.5% | ■ |
| Total Operating Revenues | \$187,241 | 100.0% | |

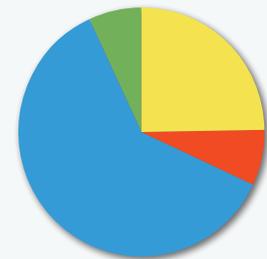


Non-Operating Revenues

| | | | |
|---------------------------------------|----------------|---------------|---|
| Interest Revenue | \$1,879 | 20.5% | ■ |
| Proceeds from Insurance Claim | \$- | 0.0% | |
| Federal Subsidy Revenue | \$6,327 | 69.9% | ■ |
| Non-Operating Grant Revenue | \$1,384 | 15.1% | ■ |
| Decrease in Fair Value of Investments | \$(417) | -5.5% | |
| Total Non-Operating Revenues | \$9,173 | 100.0% | |



| | | | |
|---------------------------------------|-----------------|---------------|---|
| Interest Revenue | \$2,828 | 27.1% | ■ |
| Proceeds from Insurance Claim | \$792 | 7.6% | ■ |
| Federal Subsidy Revenue | \$6,942 | 66.5% | ■ |
| Non-Operating Grant Revenue | \$759 | 7.3% | ■ |
| Decrease in Fair Value of Investments | \$(889) | -8.5% | |
| Total Non-Operating Revenues | \$10,432 | 100.0% | |



Operating revenues increased by \$22,548,748 (12.0%) compared to 2012. The increase was due to higher billing rates in 2013, coupled with a slow decrease in consumption and an increase in delinquencies.

Non-operating revenues decreased by \$1,258,698 (12.1%). The decrease in fair value of investments for 2013 was \$471,921 (53.1%) more than experienced in 2012. The fair value is expected to increase toward face value in the future since these investments in obligations of the U.S. Treasury and its agencies are held to maturity. Non-operating

revenues consist of interest revenue, grant revenue, Federal subsidy revenue, proceeds on insurance claims and the change in fair value of investments. Interest revenue decreased by \$948,636 (33.5%) due to lower interest rates. Non-operating grant revenue increased by \$624,576 (82.3%) due to the increase of funds received for Water Resource Sponsorship Programs. Federal subsidy revenue increased by \$614,314 (8.9%).

No proceeds on insurance claims occurred during 2013.

Expenses

Operating Expenses

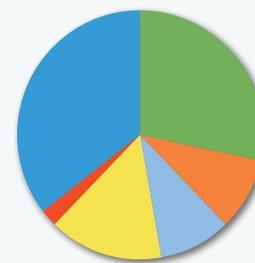
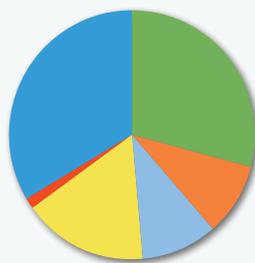
| | | |
|---------------------------------------|------------------|---------------|
| Salaries and Wages | \$43,890 | 29.3% |
| Fringe Benefits | \$14,204 | 9.5% |
| Utilities | \$14,898 | 9.9% |
| Professional and Contractual Services | \$24,747 | 16.5% |
| Other | \$2,156 | 1.4% |
| Depreciation | \$50,180 | 33.4% |
| Total Operating Expenses | \$150,075 | 100.0% |

2013

| | | |
|---------------------------------------|------------------|---------------|
| Salaries and Wages | \$41,255 | 28.4% |
| Fringe Benefits | \$13,657 | 9.4% |
| Utilities | \$13,980 | 9.6% |
| Professional and Contractual Services | \$21,827 | 15.0% |
| Other | \$3,388 | 2.3% |
| Depreciation | \$51,187 | 35.3% |
| Total Operating Expenses | \$145,294 | 100.0% |

2012

| | | |
|---------------------------------------|------------------|---------------|
| Salaries and Wages | \$41,255 | 28.4% |
| Fringe Benefits | \$13,657 | 9.4% |
| Utilities | \$13,980 | 9.6% |
| Professional and Contractual Services | \$21,827 | 15.0% |
| Other | \$3,388 | 2.3% |
| Depreciation | \$51,187 | 35.3% |
| Total Operating Expenses | \$145,294 | 100.0% |

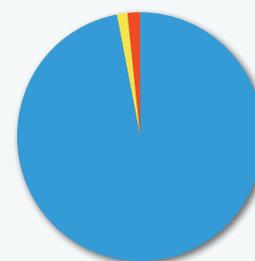
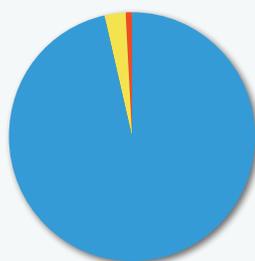


Non-Operating Expenses

| | | |
|-------------------------------------|-----------------|---------------|
| Interest Expense on Long-Term Debt | \$51,758 | 96.5% |
| Non-Operating Grant Expenses | \$1,520 | 2.9% |
| Loss on Disposals of Equipment | \$341 | 0.6% |
| Total Non-Operating Expenses | \$53,619 | 100.0% |

| | | |
|-------------------------------------|-----------------|---------------|
| Interest Expense on Long-Term Debt | \$44,718 | 97.0% |
| Non-Operating Grant Expenses | \$759 | 1.6% |
| Loss on Disposals of Equipment | \$622 | 1.4% |
| Total Non-Operating Expenses | \$46,099 | 100.0% |

| | | |
|-------------------------------------|-----------------|---------------|
| Interest Expense on Long-Term Debt | \$44,718 | 97.0% |
| Non-Operating Grant Expenses | \$759 | 1.6% |
| Loss on Disposals of Equipment | \$622 | 1.4% |
| Total Non-Operating Expenses | \$46,099 | 100.0% |



Operating expenses increased \$4,780,180 (3.3%) compared to 2012. Main components of operating expenses are as follows:

- Salary and wages increased \$2,634,408 (6.4%).
- Fringe benefits increased \$546,917 (4.0%).
- Professional and Contractual Services increased \$2,920,138 (13.4%) due to an increase in non-capitalized costs from the Stormwater project and general engineering services.
- Utilities increased \$918,313 (6.6%) due to increases in power and water costs. Solid handling waste removal decreased \$378,704 (20.7%); Materials and Supplies decreased \$980,552 (19.4%) and Judgments

and Awards decreased \$608,816 (90.7%). The decreases were offset by increases in other expenses of: \$41,989 (5.4%) for Insurance to manage our risk of loss; \$290,352 (17.7%) for Chemicals used in the Wastewater Treatment Plants and \$684,045 (32.9%) for Repairs and Maintenance.

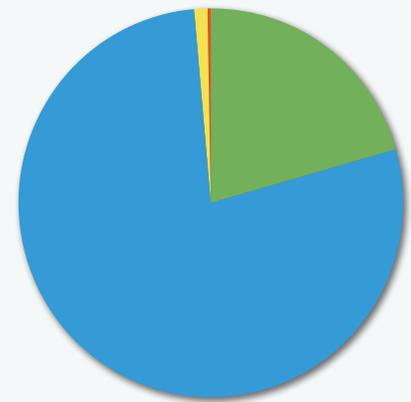
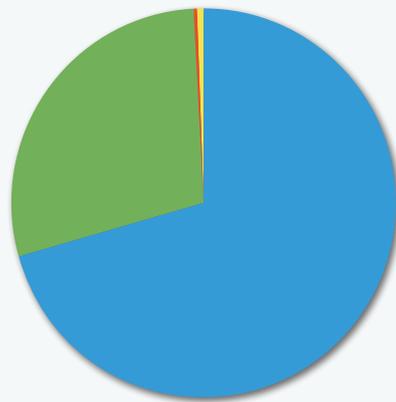
Non-operating expenses increased \$7,519,566 (16.3%). Interest expense increased by \$7,039,945 (15.7%). Losses on equipment disposals decreased \$281,916 (45.2%) due to a decrease in disposals of obsolete equipment in 2013. Non-operating grant expense increased \$761,537 (100.3%). No extraordinary events occurred during 2013.

Investment Policy

2013

2012

| | 2013 | | 2012 | |
|--------------------------|----------------------|---------------|----------------------|---------------|
| Money Market | \$258,460,360 | 70.7% | \$51,328,230 | 20.6% |
| US Agency | \$104,391,605 | 28.5% | \$194,729,338 | 78.2% |
| Corporate Bonds | \$1,006,050 | 0.3% | \$2,567,725 | 1.0% |
| Star Ohio | \$1,970,470 | 0.5% | \$502,569 | 0.2% |
| Total Investments | \$365,828,485 | 100.0% | \$249,127,862 | 100.0% |



The Northeast Ohio Regional Sewer District, giving due regard to the safety and risk of various types of investments, invests the maximum available funds in conformance with the Ohio Revised Code. The Sewer District looks to attain the highest interest rates at the time investments are made. The Sewer District takes advantage of investment interest as a significant supplement to basic sources of revenue to meet operational and capital demands. The Sewer District's portfolio is designed and managed in a manner responsive to the public trust and consistent with the Ohio Revised Code.

Investments shall be made with the following primary objectives, in order of importance:

- Preservation of capital and protection of principal
- Security of Sewer District funds and investments
- Maintenance of sufficient liquidity to meet operating needs
- Reasonable diversification of investments to minimize risk
- Maximization of return on the portfolio

Revenues, Expenses

AND CHANGES IN NET POSITION

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| User Charges: | | | | |
| Billed | \$202,134,056 | \$202,134,056 | \$206,362,246 | \$4,228,190 |
| Unbilled | 3,585,371 | 3,585,371 | 2,467,048 | (1,118,323) |
| Other Revenue | 1,002,169 | 1,002,169 | 960,830 | (41,339) |
| Total Revenues | 206,721,596 | 206,721,596 | 209,790,124 | 3,068,528 |
| EXPENSES | | | | |
| Salary and Wages | 43,874,205 | 43,874,205 | 43,889,545 | (15,340) |
| Fringe Benefits | 14,489,479 | 14,489,479 | 14,203,943 | 285,536 |
| Power | 9,888,801 | 9,888,801 | 9,400,085 | 488,716 |
| Materials and Supplies | 5,174,915 | 5,174,915 | 4,075,901 | 1,099,014 |
| Collection Fees | 7,424,000 | 7,424,000 | 7,812,254 | (388,254) |
| Gas | 3,949,160 | 3,949,160 | 3,318,117 | 631,043 |
| Chemicals | 2,790,808 | 2,790,808 | 1,931,902 | 858,906 |
| Repairs and Maintenance | 3,213,225 | 3,213,225 | 2,762,386 | 450,839 |
| Solids Handling | 1,440,457 | 1,440,457 | 1,446,497 | (6,040) |
| Water | 1,164,184 | 1,164,184 | 1,260,155 | (95,971) |
| Professional Services | 7,225,121 | 7,225,121 | 10,553,455 | (3,328,334) |
| Insurance | 747,500 | 747,500 | 821,442 | (73,942) |
| Judgements and Awards | 65,000 | 65,000 | 60,464 | 4,536 |
| Other Operating Expenses | 5,843,215 | 5,843,215 | 6,713,695 | (870,480) |
| Capitalized Construction Costs | (7,375,000) | (7,375,000) | (8,355,153) | 980,153 |
| Depreciation | 52,000,000 | 52,000,000 | 50,179,846 | 1,820,154 |
| Total Operating Expenses | 151,915,070 | 151,915,070 | 150,074,534 | 1,840,536 |
| Excess of Revenues Over Operating Expenses | \$54,806,526 | \$54,806,526 | \$59,715,590 | \$4,909,064 |

Capital Assets

AND OUTSTANDING DEBT

Capital Assets

At the end of 2013, the District had \$2,078,467,492 invested in capital assets. This amount represents a net increase of approximately \$154 million, or 8.0% over 2012. Refer to Notes 2 and 5 to the audited financial statements for more detailed information on capital assets.

| | 2013 | 2012 | CHANGE | |
|--|--------------------|--------------------|------------------|-------------|
| | | | Amount | Percent |
| Land | \$14,846 | \$13,901 | \$945 | 6.8% |
| Construction in Progress | \$516,505 | \$448,607 | \$67,898 | 15.1% |
| Interceptor Sewer Lines | \$959,166 | \$975,074 | (\$15,908) | (1.6%) |
| Buildings, Structures and Improvements | \$396,660 | \$330,496 | \$66,164 | 20.0% |
| Sewage Treatment and Other Equipment | \$185,989 | \$150,926 | \$35,063 | 23.2% |
| Right of Use-Intangible | \$5,301 | \$5,490 | (\$189) | (3.4%) |
| Total | \$2,078,467 | \$1,924,494 | \$153,973 | 8.0% |

Debt Administration

| | 2013 | 2012 | 2011 |
|-------------------------------|--------------------|------------------|------------------|
| Revenue Bonds | \$758,795 | \$486,684 | \$495,096 |
| Water Pollution Loans Payable | \$468,816 | \$470,471 | \$478,272 |
| Total Debt | \$1,227,611 | \$957,155 | \$973,368 |

At December 31, 2013, the District had total debt outstanding of \$1,227,610,847 compared to \$957,154,684 at December 31, 2012. This represents an increase of \$270,456,163 for total debt due to the issuance of the 2013 Wastewater Improvement Revenue Bonds. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund decreased \$1,654,802; total debt retirements were \$44,374,851. The carrying value of the long-term portion of debt at December 31, 2013 was \$1,183,048,291 and the fair value of the long-term debt was \$1,213,597,101.

At December 31, 2012, the District had total debt outstanding of \$957,154,684 compared to \$973,367,788 at December 31, 2011. This represents a decrease of \$16,213,104 for total debt. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund decreased \$7,800,701; total debt retirements were \$42,219,347. The carrying value of the long-term portion of debt at December 31, 2012 was \$913,610,744 and the fair value of the long-term debt was \$1,087,062,966.

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

Capital Assets

STATISTICS 2011-2013

| | 2013 | 2012 | 2011 |
|--|--------------|--------------|--------------|
| Number of Buildings | | | |
| Operations | | | |
| Southerly Plant | 42 | 40 | 39 |
| Easterly Plant | 19 | 18 | 18 |
| Westerly Plant | 16 | 16 | 16 |
| Outlying Pump Buildings | 7 | 7 | 7 |
| Total Operations | 84 | 81 | 80 |
| Administration | | | |
| District Administration | 1 | 1 | 1 |
| Environmental and Maintenance Services Center | 4 | 4 | 4 |
| Total Offices | 5 | 5 | 5 |
| Total Buildings | 89 | 86 | 85 |
| Miles of Interceptor Sewers Installed Annually* | 0.25 | 2.87 | 5.55 |
| Number of Outlying Systems | | | |
| Sewage Collection System | | | |
| Interceptor Sewers & Tunnels | 21 | 21 | 21 |
| Inter-Community Relief Sewers | 29 | 29 | 27 |
| Automated Regulators | 25 | 25 | 25 |
| Pumping Stations | 7 | 7 | 7 |
| Force Mains | 4 | 4 | 4 |
| Total Sewage Collection System | 86 | 86 | 84 |
| Support Facilities | | | |
| Floatables Control Sites | 10 | 10 | 10 |
| Biofilter Odor Control Sites | 8 | 8 | 8 |
| Rain Gauge Sites | 25 | 25 | 25 |
| Lakeview Dam | 1 | 1 | 1 |
| Total Support Facilities | 44 | 44 | 44 |
| Total Outlying Systems | 130 | 130 | 128 |
| Acres of Land | | | |
| Operations | | | |
| Southerly Plant | 311.2 | 311.2 | 311.2 |
| Easterly Plant | 92.6 | 92.6 | 92.6 |
| Westerly Plant | 13.4 | 13.4 | 13.4 |
| Administration | | | |
| District Administration | 2.6 | 2.6 | 2.6 |
| Environmental and Maintenance Services Center | 14.7 | 14.7 | 14.7 |
| Total Acres, Operations and Administration | 434.5 | 434.5 | 434.5 |

*Total interceptor sewers are in excess of 200 miles. Source: District accounting and engineering records.

Sewage Service

RATES 2004-2013

**Fiscal Years
During Which
Rates Were Effective**

SUBDISTRICT 1

| | Standard | | Homestead (2) | |
|----------|----------|----------|---------------|----------|
| | Rate (1) | % Change | Rate (1) | % Change |
| 2004 | 24.40 | 7.5 | 16.45 | 7.5 |
| 2005 | 26.20 | 7.4 | 17.70 | 7.6 |
| 2006 | 28.10 | 7.3 | 18.95 | 7.1 |
| 2007 | 30.85 | 9.8 | 20.75 | 9.5 |
| 2008 | 33.85 | 9.7 | 22.75 | 9.6 |
| 2009 | 37.15 | 9.7 | 24.95 | 9.7 |
| 2010 | 40.75 | 9.7 | 27.35 | 9.6 |
| 2011 | 44.75 | 9.8 | 30.05 | 9.9 |
| 2012 (3) | 49.55 | 10.7 | 29.75 | -1.0 |
| 2013 (4) | 55.45 | 11.9 | 33.35 | 12.1 |

**Fiscal Years
During Which
Rates Were Effective**

SUBDISTRICT 2

| | Standard | | Homestead (2) | |
|----------|----------|----------|---------------|----------|
| | Rate (1) | % Change | Rate (1) | % Change |
| 2004 | 29.40 | 5.2 | 19.70 | 5.3 |
| 2005 | 30.95 | 5.3 | 20.80 | 5.6 |
| 2006 | 32.60 | 5.3 | 21.90 | 5.3 |
| 2007 | 35.10 | 7.7 | 23.55 | 7.5 |
| 2008 | 37.85 | 7.8 | 25.40 | 7.9 |
| 2009 | 40.90 | 8.1 | 27.45 | 8.1 |
| 2010 | 44.25 | 8.2 | 29.70 | 8.2 |
| 2011 | 48.00 | 8.5 | 32.25 | 8.6 |
| 2012 (3) | 52.55 | 9.5 | 31.75 | -1.6 |
| 2013 (4) | 58.15 | 10.7 | 33.15 | 4.4 |

- (1) Per thousand cubic feet (MCF) of water consumed.
- (2) These rates were first established in the 1991 fiscal year.
- (3) A Fixed Fee per quarterly bill of \$5.85 was established in the 2012 fiscal year.
- (4) For 2013 fiscal year, the fixed rate per quarterly bill increased to \$6.30.

Industrial Waste Surcharge

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

Minimum Quarterly Billing

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

Source: District accounting records.

Miscellaneous

OPERATING STATISTICS 2011-2013

| | 2013 | 2012 | 2011 |
|--|-------------------|-------------------|-------------------|
| TREATMENT PLANT FLOW | | | |
| Billions of gallons of sewage treated per plant | | | |
| Easterly | 31.7 | 32.9 | 41.9 |
| Southerly | 44.0 | 39.1 | 51.5 |
| Westerly | 9.9 | 9.9 | 12.6 |
| Total | 85.6 | 81.9 | 106.0 |
| Total sewage treated, in MCFs (1) | 11,443,850 | 10,949,198 | 14,171,123 |
| MCFs billed, total District | 3,709,188 | 3,895,816 | 4,096,885 |
| STAFFING LEVELS | | | |
| Number of employees | | | |
| Plant Operations & Maintenance | 344 | 339 | 352 |
| Engineering | 61 | 61 | 52 |
| Finance (2) | 43 | 39 | 41 |
| Human Resources | 16 | 15 | 17 |
| Information Technology | 18 | 19 | 19 |
| District Administration (3) | 69 | 66 | 54 |
| Legal (3) | 12 | 11 | 10 |
| Administration & External Affairs (2) | 32 | 28 | 25 |
| Watershed Programs | 78 | 70 | 72 |
| Total | 673 | 648 | 642 |
| Budgeted employees, total District | 719 | 693 | 680 |

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

(2) Reclassified Customer Service from Finance to Administration & External Affairs in 2011.

(3) Reclassified Records Management from Legal to District Administration in 2011.

Source: Various District records.

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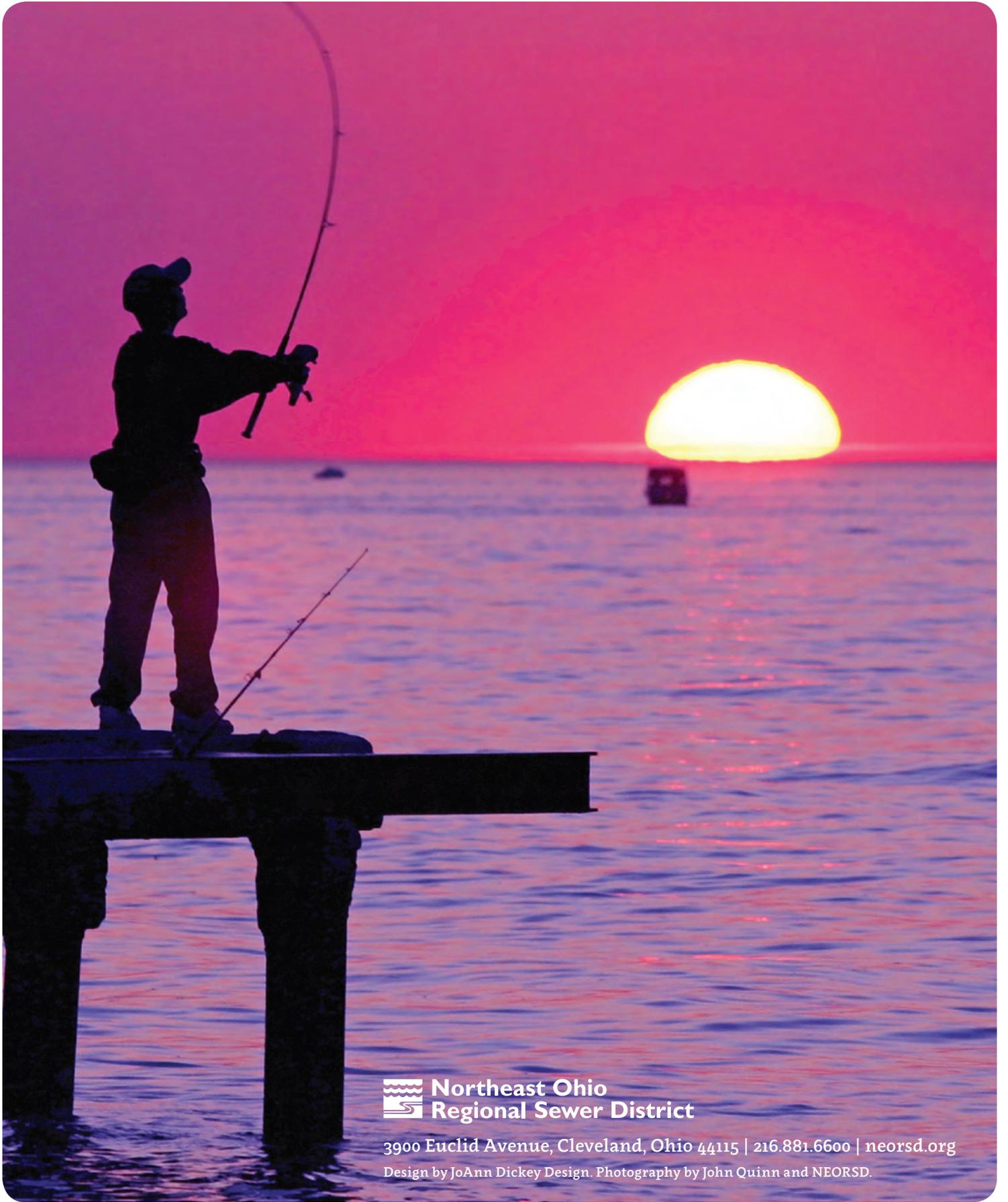
Our Vision

Be the environmental leader in enhancing quality of life in the region and protecting its water resources.

Our Mission

Provide progressive sewage and stormwater management through innovation, fiscal responsibility, and community partnerships.





 **Northeast Ohio
Regional Sewer District**

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Design by JoAnn Dickey Design. Photography by John Quinn and NEORS D.