

NORTHEAST OHIO REGIONAL SEWER DISTRICT

'10

POPULAR ANNUAL
FINANCIAL REPORT

Your Sewer District...
Keeping our
Great Lake great.



Northeast Ohio
Regional Sewer District

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Photography: During the Spring of 2011, Cleveland photographer Eric Mull visited the District’s three wastewater treatment plants and Environmental & Maintenance Service Center to photograph NEORSD employees whose work protects our river and streams and keeps our Great Lake great. For more information, visit ericmull.com.

Additional photography courtesy of John Quinn, Doug Sacha, Mort Tucker, Mike Uva, and NEORSD Archives

Design and Layout: Sean Dailey at Verv Creative, 2011. vervcreative.com

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LETTER FROM THE EXECUTIVE DIRECTOR

The information in this Popular Annual Financial Report (PAFR) is compiled from our 2010 Comprehensive Annual Financial Report (CAFR). This and our other financial reports are available online at neorsd.org.

Two thousand and ten was a year of great achievement and anticipation at the District. Our three treatment plants operated without a single permit violation, and progress continued on the construction of new, energy-efficient incinerators at our Southerly plant. We also took final, crucial steps to implementing two historic District initiatives: a Stormwater Management Program and CSO Long Term Control Plan (see page 6).

The District’s financial statements have been audited by Ciuni and Panichi, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2010, are free of material misstatement.

The preparation of this annual report would not have been possible without the efficient and dedicated services of the entire staff of the Finance department and the Communications & Community Relations department. 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.



A stylized, handwritten signature in black ink, appearing to read 'J. Ciaccia'.

Julius Ciaccia, **Executive Director**



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 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 area contains a residential service population in excess of one million persons and includes a diverse group of service, information, biotechnology, manufacturing, and processing industries.

The District treats more wastewater than any other wastewater treatment system in the State of Ohio.

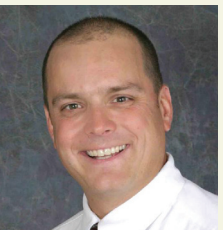
2010 BOARD OF TRUSTEES (left to right)

Darnell Brown, **President**

Ronald D. Sulik, **Vice President**

Mayor Dean E. DePiero, **Secretary**

Sheila J. Kelly, Mayor Jack Bacci, Walter O'Malley, Mayor Gary W. Starr



2010 SENIOR STAFF (left to right)

Julius Ciaccia, **Executive Director**

F. Michael Bucci, **Deputy Executive Director**

Marlene Sundheimer, **Director of Law**

Jennifer Demmerle, **Director of Finance**

Douglas Dykes, **Director of Human Resources**

Frank Greenland, **Director of Watershed Programs**

Constance Haqq, **Director of Administration & External Affairs**

David McNeeley, **Director of Operations & Maintenance**

Kellie Rotunno, **Director of Engineering & Construction**

Humberto Sanchez, **Director of Information Technology**



YEAR IN REVIEW 2010

The last 12 months have been filled with clean-water progress and projects that affect our customers and one million Northeast Ohio residents. Here are a few of our accomplishments:

Stormwater program passes unanimously

The year began with Trustees adopting the District's Stormwater Management Program with a 7-0 vote. Director Ciaccia called this "a progressive step in protecting our clean water environment." Immediately following the meeting, the District filed a motion with the Cuyahoga County Court of Common Pleas to reaffirm our authority to manage stormwater within the existing service area. The program remains in court today. Litigation is currently set for trial on October 31, 2011.

Trustees approve plan to control sewage discharges

By a vote of 5-2, Trustees approved an agreement with the Environmental Protection Agency known as a consent decree. Project Clean Lake outlines a 25-year plan to control and reduce raw sewage discharges to the environment. In December, the consent decree was lodged in U.S. District Court after being signed by all the District, state, and federal parties involved. In July 2011, U.S. District Court Judge Donald C.

Nugent approved Project Clean Lake. Judge Nugent's approval allows the District to proceed with the \$3 billion program, and the terms of the plan are now legally binding on the District.

Euclid Creek Tunnel project contract awarded

This 18,000-foot long, \$198 million tunnel contract, the first under Project Clean Lake, was awarded in December. Upon completion in 2015, the tunnel will store approximately 60 million gallons of combined wastewater for proper treatment at Easterly.

Renewable Energy Facility construction continues

Three incinerator shells, heat exchangers, and a whole lot of steel were erected at Southerly in 2010. Fluidized bed incinerators will replace aging multiple hearth incinerators, and the result (in 2013) will be a \$151 million facility that generates a quarter of the entire plant's electricity by capturing excess heat in the exhaust gases. It's cleaner, more efficient, and it conserves resources.



P.U.P. program asks dog owners to "Pick Up Poop!"

The District launched a "Pick Up Poop!" (P.U.P.) campaign to educate residents about the environmental importance of picking up after their pets. (Pet waste can infect ground water and stormwater that flows to local streams, so it's important to pick it up.)

Our P.U.P. campaign won a National Environmental Achievement Award from the National Association of Clean Water Agencies (NACWA).

SBE program certifies 800+ vendors

More than 800 vendors have registered with our Small Business Enterprise (SBE) program since it began in June 2009. Based on the results of a disparity study, the District also developed a minority- and women-owned business enterprise program called the Business Opportunity Program, which was launched June 1, 2011.

The Commission on Economic Inclusion—a coalition of more than 100 Northeast Ohio employers—named the District "Best in Class" in the category of Supplier Diversity (Nonprofit/Government). The award is based on the percentage of budget an organization spends with minority-owned businesses.

Westerly crew installs efficient new system

In April, a team of Westerly's maintenance staff finished installing and testing an upgraded disinfection system featuring new sodium hypochlorite tanks, pumps, piping, and controls. Operations staff were also on hand to offer suggestions on how to improve the system. As a result of the new system and our operators' attention to detail, the plant has seen a 45 percent reduction in chemical usage from the previous four years.

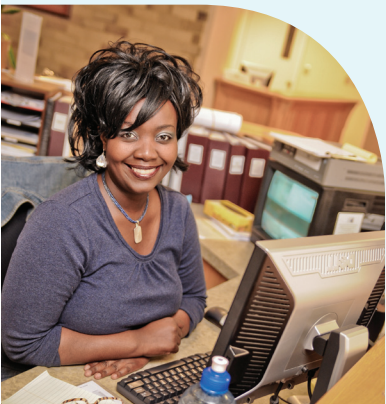
Performance management system

In 2010, the District established a performance management system for non-union employees, to align with both strategic and organizational goals, skills and competency development, true performance tracking, and the enhancement of managers' supervisory skills. In 2010, 320 employees were evaluated using this system.

Bond rating upgraded

The credit rating agency Standard & Poor's upgraded the District's bond rating from AA to AA+, the second-highest of 22 long-term bond ratings offered by S&P. The high rating indicates that the District has a very strong capacity to meet future financial commitments. "This is quite an achievement in the current economic

(continued)



conditions,” said Ciaccia. “Our Board’s consistent support of our programs over the years, including critical rate increases, is a major factor in S&P’s decision to award such a favorable rating.”

New programs recognize employees and all they have to offer the District

This year, District employees enjoyed new learning opportunities and were recognized for their contributions:

- Employee of the Month celebrations allowed employees to recognize and celebrate their fellow employees.
- “LearningXChanges” and “Lunch and Learn” programs gave employees a chance to share knowledge gained from outside classes and expertise on support functions and administrative activities.
- Toastmasters gave participants an opportunity to share life/work lessons through speaking and leadership projects.
- Diversity Dialogues expanded cultural awareness through presentations on specific traditions and practices.



In addition, a Diversity & Inclusion workshop curriculum was designed and piloted for full rollout in 2011.

2010 awards

During 2010, the District received awards for 2009 plant performance from the National Association of Clean Water Agencies. NACWA honored all three of our wastewater treatment plants for excellent performance in 2009.

Our Easterly plant earned a Peak Performance Gold Award. A Gold honor recognizes facilities with no National Pollutant Discharge Elimination System (NPDES) permit exceedences in a year. Our Southerly and Westerly plants earned the Peak Performance Silver Award. A Silver honor recognizes facilities with no more than one permit exceedences in a year.

During 2010, the Government Finance Officers Association (GFOA) presented the Distinguished Budget Presentation Award to the District for the fourth time for its 2010 Budget. For the 15th consecutive year, the GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its 2009 Comprehensive Annual Financial Report.

**COMMUNITIES SERVED BY THE DISTRICT
AND ESTIMATED POPULATION SERVED**

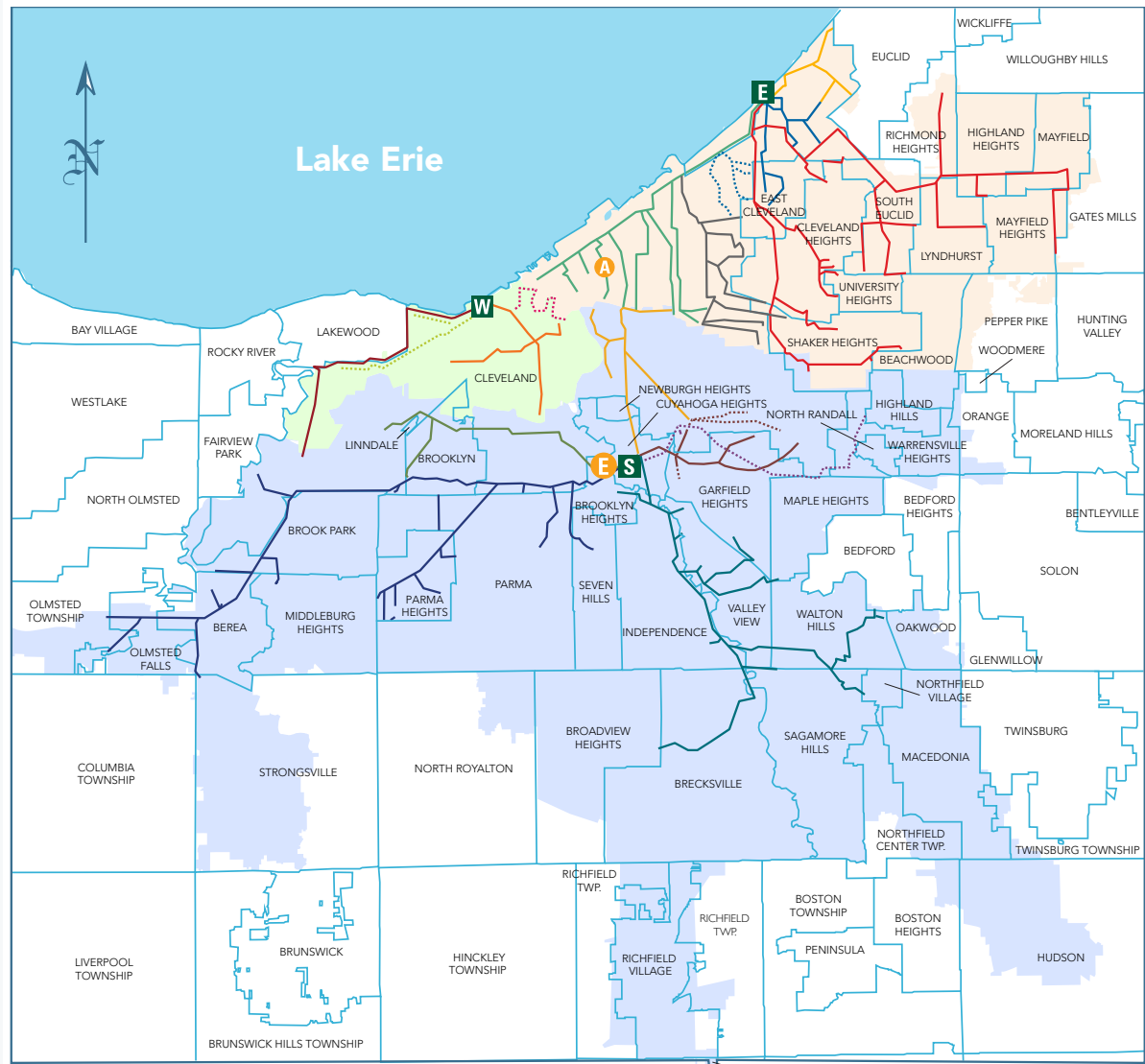
AS OF DECEMBER 31, 2010

| Municipality | Estimated Service Population (1) | Municipality | Estimated Service Population (1) |
|---|----------------------------------|--------------------------------|----------------------------------|
| SUBDISTRICT 1 | | | |
| Cleveland City | 396,815 | | |
| SUBDISTRICT 2 | | | |
| Bath Township | - (3) | Mayfield Village | 3,460 |
| Beachwood City | 11,953 | Middleburg Heights City | 15,946 |
| Bedford City | - (3) | Newburgh Heights Village | 2,167 |
| Bedford Heights City | - (3) | North Randall Village | 1,027 |
| Berea City | 19,093 | North Royalton City | 5,711 (2) |
| Boston Heights Village | 908 (2) | Northfield Village | 5,839 |
| Bratenahl Village | 1,197 | Northfield Center Township | 3,677 |
| Brecksville City | 13,656 (2) | Oakwood Village | 2,873 (2) |
| Broadview Heights City | 17,450 (2) | Olmsted Falls City | 8,422 (2) |
| Brook Park City | 19,212 | Olmsted Township | 7,116 (2) |
| Brooklyn City | 11,169 | Orange Village | 496 (2) |
| Brooklyn Heights Village | 1,543 | Parma City | 81,601 |
| Cleveland Heights City | 46,121 | Parma Heights City | 20,718 |
| Columbia Township | 944 (2) | Pepper Pike City | 2,239 (2) |
| Cuyahoga Heights Village | 638 | Richfield Village | 757 (2) |
| East Cleveland City | 17,843 | Richfield Township | 3,490 (2) |
| Euclid City | 1,952 (2) | Richmond Heights City | 3,193 (2) |
| Garfield Heights City | 28,849 | Sagamore Hills Township | 10,947 |
| Gates Mills Village | 300 (2) | Seven Hills City | 11,332 |
| Glenwillow Village | 31 (2) | Shaker Heights City | 26,391 |
| Highland Heights City | 8,345 | Solon City | 170 (2) |
| Highland Hills Village | 1,130 | South Euclid City | 22,295 |
| Hudson City | 9,052 (2) | Strongsville City | 23,603 (2) |
| Independence City | 7,133 | Twinsburg City | 9 (2) |
| Lakewood City | - (3) | Twinsburg Township | 263 (2) |
| Linndale Village | 179 | University Heights City | 13,539 |
| Lyndhurst City | 14,001 | Valley View Village | 2,034 |
| Macedonia City | 11,188 | Walton Hills Village | 2,281 |
| Maple Heights City | 23,138 | Warrensville Heights City | 13,542 |
| Mayfield Heights City | 19,155 | Willoughby Hills City | - (3) |
| Total Subdistrict 2 | | | 581,319 |
| Total estimated service population | | | 978,134 |

(1) Based on 2010 U.S. Census Data.
(2) Estimated population for that portion of the municipality within the service area of the District.
(3) Service population not applicable. District serves commercial properties only.

Source: District administrative records.

NEORSD SERVICE AREA MAP



EASTERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

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

SOUTHERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

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

WESTERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

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



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

- Easterly service area
- Southerly service area
- Westerly service area

FOR MORE INFORMATION, VISIT www.NEORSD.org / REVISED 6/09

HISTORICAL NUMBER OF CUSTOMER ACCOUNTS 2008-2010

| | 2008 | 2009 | 2010 |
|------------------------|----------------|----------------|----------------|
| SUBDISTRICT 1 | | | |
| Cleveland | 128,142 | 122,201 | 121,009 |
| SUBDISTRICT 2 | | | |
| Master Meter | | | |
| Suburbs (1) | 3 | 3 | 3 |
| Direct Service | | | |
| Suburbs | 183,792 | 184,587 | 181,826 |
| Subtotal | 183,795 | 184,590 | 181,829 |
| TOTAL CUSTOMERS | 311,937 | 306,791 | 302,838 |



(1) The Master Meter Suburbs, which bill their customers separately, had approximately 16,624 accounts at the end of 2006. Master Meter communities are East Cleveland, Hudson, Richfield Village, and Summit County. The City of Hudson became a Master Meter community in 1998. Commencing January 2008, the City of East Cleveland became a direct service community billed by the City of Cleveland in Subdistrict 2.

Source: District accounting records.

ANNUAL METERED BILLING QUANTITIES 2008-2010
(IN THOUSANDS OF CUBIC FEET)

| | 2008 | 2009 | 2010 |
|------------------------|------------------|------------------|------------------|
| SUBDISTRICT 1 | | | |
| Cleveland (2) | 2,127,084 | 1,915,736 | 1,895,333 |
| SUBDISTRICT 2 | | | |
| Direct Service | | | |
| Suburbs (2) | 2,184,458 | 2,189,464 | 2,071,277 |
| Master Meter | | | |
| Suburbs (1) | 195,815 | 162,759 | 170,293 |
| Subtotal | 2,380,273 | 2,352,223 | 2,241,570 |
| TOTAL CUSTOMERS | 4,507,357 | 4,267,959 | 4,136,903 |



(1) Consumption of Master Meter Suburbs is presented at 80% of total consumption which is the billing basis. Commencing January 2008, the City of East Cleveland became a direct service community billed by the City of Cleveland in Subdistrict 2.
(2) For 2010, the data is estimated based on billing records from the City of Cleveland.

LARGEST CUSTOMERS OF THE DISTRICT

AS OF DECEMBER 31, 2010 AND THE NINTH YEAR PRIOR

| 2010 | | | | |
|--|------------------------|---------------------|-----------|---------------------------------------|
| | CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
| SUBDISTRICT 1 | | | | |
| Cuyahoga Metropolitan Housing Agency (2) | 65,732.5 | \$2,729,983 | 1 | 1.6% |
| Cleveland Clinic (2) | 42,469.7 | 1,719,977 | 2 | 1.0% |
| City of Cleveland Water Filtration Plants | 29,397.2 | 1,569,653 | 3 | 0.9% |
| Case Western Reserve University | 28,946.6 | 1,146,287 | 5 | 0.7% |
| Mittal Steel (ISG Cleveland) (3) | 22,045.9 | 1,153,097 | 6 | 0.7% |
| University Hospitals (2) | 23,363.6 | 916,089 | 8 | 0.5% |
| Cleveland Board of Education | 19,007.9 | 765,050 | 10 | 0.5% |
| Cuyahoga County (2) | 17,844.5 | 724,414 | 11 | 0.4% |
| Metro Health Medical Centers | 15,064.0 | 560,643 | 12 | 0.3% |
| Ferro Corporation (2) | 10,613.4 | 440,882 | 14 | 0.3% |
| Cleveland State University (2) | 10,297.9 | 412,905 | 15 | 0.2% |
| Columbus Road Realty (3) | 6,207.5 | 256,028 | 17 | 0.2% |
| Cleveland Metroparks Zoo (3) | 4,327.6 | 230,575 | 18 | 0.1% |
| Veterans Administration Hospitals (2) | 2,564.0 | 103,201 | 20 | 0.1% |
| Holiday Inn (2) (3) | - | - | - | - |
| General Electric Company (3) | - | - | - | - |
| Cleveland Thermal Energy Corporation (3) | - | - | - | - |
| LTV Steel (3) | - | - | - | - |
| Synthetic Products (3) | - | - | - | - |
| Clean Harbors of Cleveland Inc. (3) | - | - | - | - |
| Longwood Apartments Inc. (3) | - | - | - | - |
| Total Subdistrict 1 | 297,882.3 | \$12,728,783 | | 7.6% |
| SUBDISTRICT 2 | | | | |
| Aluminum Corporation of America | 31,631.8 | \$1,394,694 | 4 | 0.8% |
| Ford Motor Corporation | 25,468.4 | 1,126,977 | 7 | 0.7% |
| NASA John H Glenn Research Center | 19,319.9 | 854,683 | 9 | 0.5% |
| Forest City Management (2) | 12,585.8 | 542,106 | 13 | 0.3% |
| Eaton Estates/ Nagy Park (3) | 9,451.8 | 412,679 | 16 | 0.2% |
| Fairhill Towers LLC (Zehman & Wolfe Management) (3) | 4,792.4 | 205,482 | 19 | 0.1% |
| General Motors Corporation (3) | - | - | - | - |
| Total Subdistrict 2 | 103,250.1 | \$4,536,620 | | 1.9% |
| Grand Total | 401,132.4 | \$17,265,404 | | 9.5% |

(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) Consumption and amount billed data not provided for customers that did NOT rank for that given year reported.
Source: District accounting records and City of Cleveland Division of Water billing records.

LARGEST CUSTOMERS OF THE DISTRICT

CONTINUED

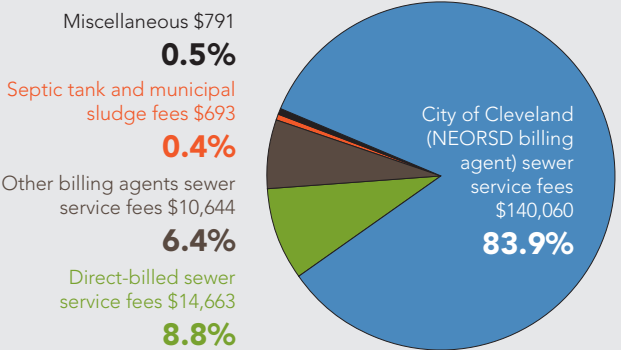
| 2001 | | | | |
|------|------------------------|---------------------|-----------|---------------------------------------|
| | CONSUMPTION MCF (1) | AMOUNT BILLED | RANK | PERCENTAGE OF OPERATING REVENUE |
| | 123,752.6 | \$3,506,084 | 1 | 2.7% |
| | 48,956.8 | 1,376,922 | 3 | 1.0% |
| | 33,776.2 | 1,086,600 | 5 | 0.8% |
| | 29,569.7 | 848,115 | 8 | 0.6% |
| | - | - | - | - |
| | 21,189.9 | 610,484 | 10 | 0.5% |
| | 24,824.4 | 709,742 | 9 | 0.5% |
| | 19,347.0 | 538,998 | 11 | 0.4% |
| | 17,583.7 | 482,057 | 13 | 0.4% |
| | 14,990.5 | 414,744 | 16 | 0.3% |
| | 11,782.6 | 334,348 | 19 | 0.3% |
| | - | - | - | - |
| | - | - | - | - |
| | 14,742.3 | 345,585 | 17 | 0.3% |
| | 7,539.4 | 206,066 | 23 | 0.2% |
| | 11,910.2 | 342,442 | 18 | 0.3% |
| | 17,749.4 | 437,474 | 14 | 0.3% |
| | 46,430.2 | 1,356,649 | 4 | 1.0% |
| | 15,715.3 | 440,522 | 15 | 0.3% |
| | 4,000.5 | 248,508 | 21 | 0.2% |
| | 8,295.5 | 232,058 | 22 | 0.2% |
| | 472,156.2 | \$13,517,398 | | 10.2% |
| | 37,624.8 | \$1,029,558 | 6 | 0.8% |
| | 56,689.7 | 1,525,395 | 2 | 1.2% |
| | 34,340.1 | 912,805 | 7 | 0.7% |
| | 19,626.1 | 531,819 | 12 | 0.4% |
| | - | - | - | - |
| | - | - | - | - |
| | 9,859.9 | 262,273 | 20 | 0.2% |
| | 158,140.6 | \$4,261,850 | | 3.2% |
| | 630,296.8 | \$17,779,248 | | 13.4% |



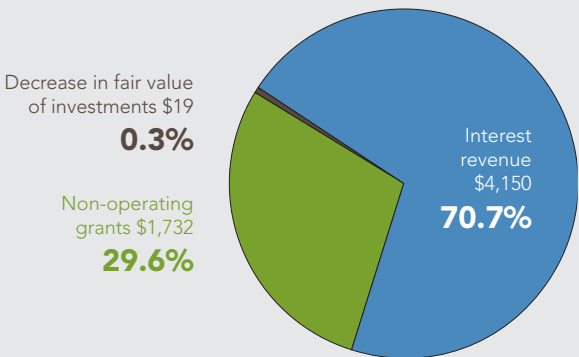
REVENUES (IN THOUSANDS)

Operating revenue increased by \$2,074,384 (1.3%) compared to 2009. The increase was due to higher billing rates in 2010, coupled with a decrease in consumption and an increase in delinquencies. Non-operating revenue increased by \$1,066,576 (22.2%). This increase was mainly due to lesser reductions in fair value of investments compared to 2009. The decrease in fair value of investments for 2010 was \$3,855,309 (99.5%) less than experienced in 2009. 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 revenue consists of interest income, grant revenue, and the change in fair value of investments. Interest income decreased by \$3,089,843 (42.7%) due to lower interest rates available for investment. Non-operating grant revenue increased by \$301,110 (21.0%) due to the receipt of funds for Water Resource Sponsorship Programs for 2010.

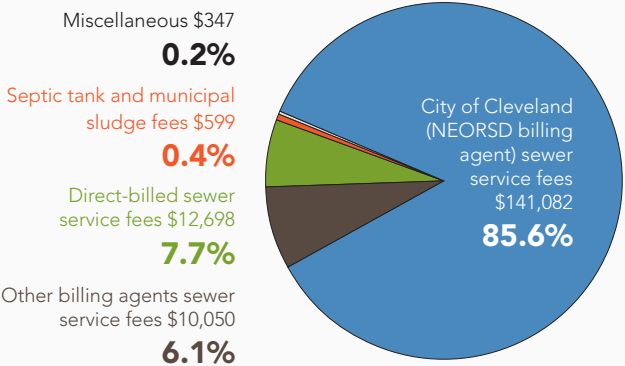
2010 TOTAL OPERATING REVENUE
\$166,851



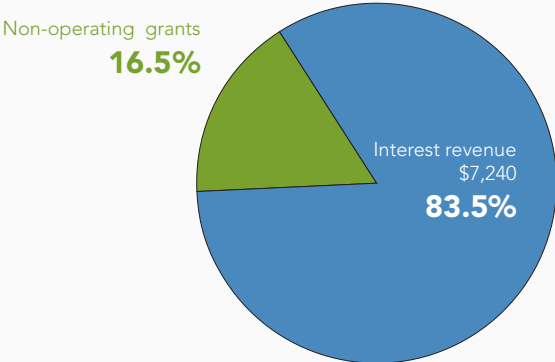
2010 TOTAL NON-OPERATING REVENUE
\$5,863



2009 TOTAL OPERATING REVENUE
\$164,776



2009 TOTAL NON-OPERATING REVENUE
\$8,671



FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$1,290,040,583
- Retirements of debt principal were \$36,806,879
- Operating revenue increased by \$2,074,384
- Operating expenses increased by \$4,375,611



EXPENSES (IN THOUSANDS)

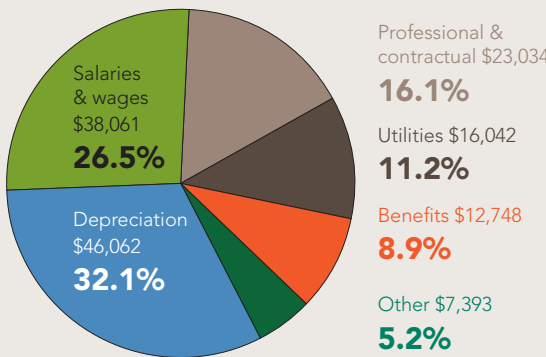
Operating expenses increased \$4,375,611 (3.1%) compared to 2009. Main components of operating expenses are as follows:

- Salary and wages increased \$1,037,055 (2.8%).
- Fringe benefits increased \$1,033,254 (8.8%).
- Professional and Contractual Services increased \$5,337,859 (30.2%) due mainly to increased Program Management costs.
- Utilities decreased \$2,881,973 (15.2%) due to a new utility contract.
- Decreases in Other Expenses include \$978,323 (48.3%) for Judgments and Awards; \$321,479 (19.9%) for Chemicals used in the treatment processes at the Wastewater Treatment Plants; and \$10,519 (2.0%) for Travel and Education. The de-

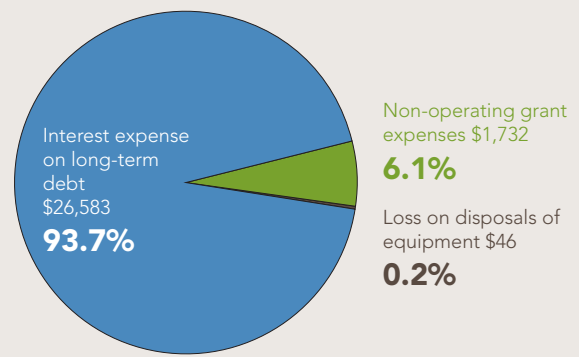
creases were offset by increases in Other Expenses of \$379,639 (11.1%) for Materials and Supplies to operate and maintain facilities; and \$148,520 (8.0%) for Repair and Maintenance to buildings, equipment, sewer and roads. Non-operating expenses decreased \$2,682,693 (8.6%). Interest expense increased by \$1,984,238 (8.1%). Losses on equipment disposals decreased \$1,968,041 (97.7%) due mainly to disposals of obsolete equipment parts in 2009.

Non-operating grant expense increased \$301,110 (21.1%). Other non-operating expenses decreased \$3,000,000 (100.0%) due to a one-time grant expense to another government agency.

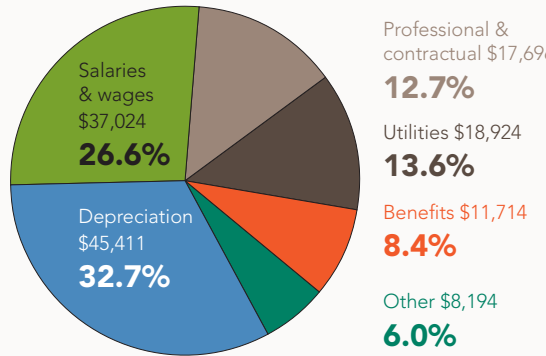
2010 TOTAL OPERATING EXPENSES
\$143,340



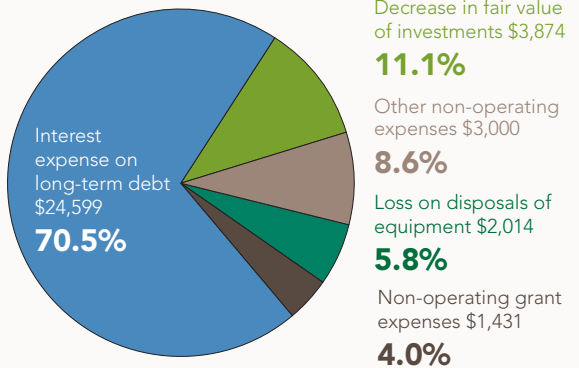
2010 TOTAL NON-OPERATING EXPENSES
\$28,361



2009 TOTAL OPERATING EXPENSES
\$138,963



2009 TOTAL NON-OPERATING EXPENSES
\$34,918

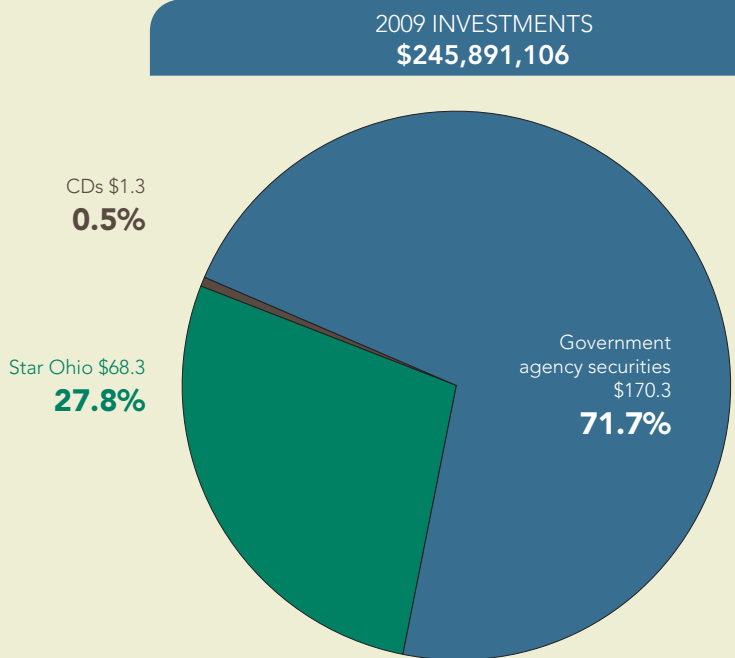
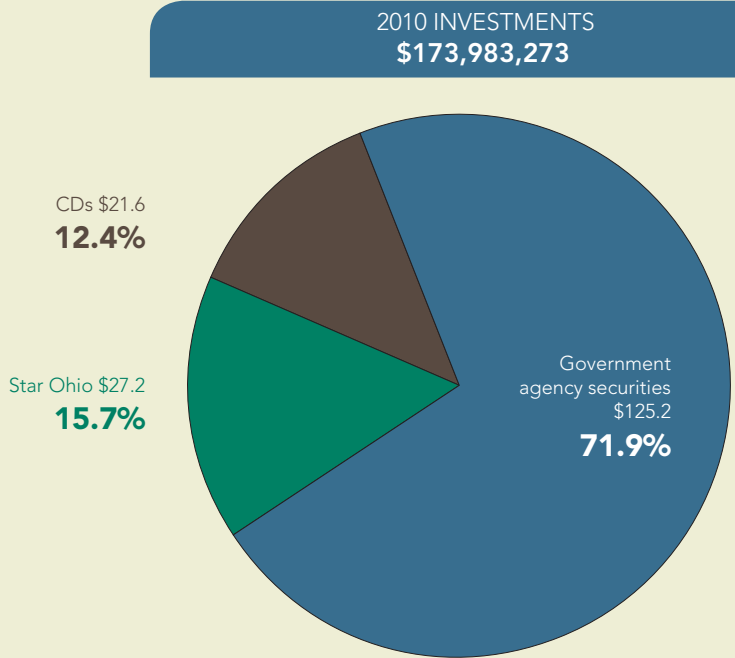


INVESTMENT POLICY

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 District looks to attain the highest interest rates at the time the investments are made. The District takes advantage of investment interest as a significant supplement to basic sources of revenue to meet operational and capital demands. The 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 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 ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| Revenues: | | | | |
| User Charges: | | | | |
| Billed | \$167,288,403 | \$167,288,403 | \$164,248,046 | (\$3,040,357) |
| Unbilled | \$3,000,000 | \$3,000,000 | \$1,118,590 | (\$1,881,410) |
| Other Revenue | \$896,216 | \$896,216 | \$1,484,110 | \$587,894 |
| Total Revenues | \$171,184,619 | \$171,184,619 | \$166,850,746 | (\$4,333,873) |
| Expenses: | | | | |
| Salary and Wages | \$39,208,269 | \$39,208,269 | \$38,061,309 | \$1,146,960 |
| Benefits | \$12,628,092 | \$12,628,092 | \$12,747,900 | (\$119,808) |
| Power | \$10,780,925 | \$10,780,925 | \$9,879,693 | \$901,232 |
| Materials and Supplies | \$5,182,455 | \$5,182,455 | \$4,729,166 | \$453,289 |
| Collection Fees | \$6,000,000 | \$6,000,000 | \$5,805,347 | \$194,653 |
| Gas | \$5,224,030 | \$5,224,030 | \$4,292,298 | \$931,732 |
| Chemicals | \$1,715,857 | \$1,715,857 | \$1,293,973 | \$421,884 |
| Repairs and Maintenance | \$3,356,085 | \$3,356,085 | \$2,901,283 | \$454,802 |
| Solids Handling | \$2,544,256 | \$2,544,256 | \$2,190,398 | \$353,858 |
| Water | \$1,150,670 | \$1,150,670 | \$1,054,989 | \$95,681 |
| Professional Services | \$12,564,401 | \$12,564,401 | \$12,264,571 | \$299,830 |
| Insurance | \$1,182,448 | \$1,182,448 | \$1,161,822 | \$20,626 |
| Judgments and Awards | \$50,000 | \$50,000 | \$1,052,383 | (\$1,002,383) |
| Other Operating Expenses | \$6,274,813 | \$6,274,813 | \$5,520,981 | \$753,832 |
| Capitalized Construction Costs | (\$5,792,364) | (\$5,792,364) | (\$5,677,970) | (\$114,394) |
| Depreciation | \$46,000,000 | \$46,000,000 | \$46,061,584 | (\$61,584) |
| Total Operating Expenses | \$148,069,937 | \$148,069,937 | \$143,339,727 | \$4,730,210 |
| Excess of Revenues Over Operating Expenses | \$23,114,682 | \$23,114,682 | \$23,511,019 | \$396,337 |



CAPITAL ASSETS AND OUTSANDING DEBT

Capital Assets

At the end of 2010, the District had \$1,610,307,429 invested in capital assets. This amount represents a net increase of approximately \$82 million, or 5.4% over 2009. Refer to Notes 2 and 5 to the audited financial statements for more detailed information on capital assets.

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

| | 2010 | 2009 | Change | |
|---|--------------------|--------------------|-----------------|-------------|
| | | | Amount | % |
| Land | \$13,901 | \$9,473 | \$4,428 | 46.7% |
| Construction in Progress | \$314,092 | \$236,792 | \$77,300 | 32.6% |
| Interceptor Sewer Lines | \$787,124 | \$782,918 | \$4,206 | 0.5% |
| Buildings, Structures, and Improvements | \$353,921 | \$355,161 | (\$1,240) | (0.3%) |
| Sewage Treatment and Other Equipment | \$141,269 | \$143,595 | (\$2,326) | (1.6%) |
| Total | \$1,610,307 | \$1,527,939 | \$82,368 | 5.4% |

Debt Administration

At December 31, 2010, the District had total debt outstanding net of premiums and refunding loss, of \$935,591,845 compared to \$582,333,948 at December 31, 2009. This represents an increase of \$353,257,896. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund increased \$23,812,896; total debt retirements were \$23,076,540. The carrying value of the long-term portion of debt at December 31, 2010 was \$899,686,743 and the fair value of the long-term debt was \$883,511,546.

At December 31, 2009, the District had total debt outstanding net of premiums and refunding loss, of \$582,333,948 compared to \$595,064,591 at December 31, 2008. This represents a decrease of \$12,730,643. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund decreased \$5,535,643; total debt retirements were \$38,480,127. The carrying value of the long-term portion of debt at December 31, 2009 was \$548,749,433 and the fair value of the long-term debt was \$593,223,548.

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

Outstanding Debt at December 31 (in Thousands)

| | 2010 | 2009 | 2008 |
|-------------------------------|------------------|------------------|------------------|
| Revenue Bonds | \$500,235 | \$170,790 | \$177,985 |
| Water Pollution Loans Payable | \$435,357 | \$411,544 | \$417,080 |
| Total Debt | \$935,592 | \$582,334 | \$595,065 |

CAPITAL ASSET STATISTICS 2008-2010

| | 2008 | 2009 | 2010 |
|--|--------------|--------------|--------------|
| Number of Buildings | | | |
| Operations | | | |
| Southerly Plant | 38 | 39 | 39 |
| Easterly Plant | 18 | 18 | 18 |
| Westerly Plant | 16 | 16 | 16 |
| Outlying Pump Buildings | 5 | 5 | 7 |
| Total Operations | 77 | 78 | 80 |
| Administration | | | |
| District Administration | 1 | 1 | 1 |
| Environmental Maintenance and Services Center | 4 | 4 | 4 |
| Total Offices | 5 | 5 | 5 |
| Total Buildings | 82 | 83 | 85 |
| Miles of Interceptor Sewers Installed Annually* | | | |
| | 0.99 | 0.40 | 3.95 |
| Number of Outlying Systems | | | |
| Sewage Collection System | | | |
| Interceptor Sewers & Tunnels | 21 | 21 | 21 |
| Inter-Community Relief Sewers | 24 | 25 | 26 |
| Automated Regulators | 25 | 25 | 25 |
| Pumping Stations | 6 | 6 | 7 |
| Force Mains | 3 | 3 | 4 |
| Total Sewage Collection System | 79 | 80 | 83 |
| 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 | 123 | 124 | 127 |
| Acres of Land | | | |
| Operations | | | |
| Southerly Plant | 311.2 | 311.2 | 311.2 |
| Easterly Plant | 77.7 | 77.7 | 92.6 |
| Westerly Plant | 14.5 | 14.5 | 13.4 |
| Administration | | | |
| District Administration | 2.6 | 2.6 | 2.6 |
| Environmental Maintenance and Services Center | 14.7 | 14.7 | 14.7 |
| Total Acres, Operations and Administration | 420.7 | 420.7 | 434.5 |

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



NEORSD SEWAGE SERVICE RATES 2000-2010

| Fiscal Years During Which Rates Were Effective | SUBDISTRICT 1 | | | |
|--|----------------------|----------|---------------------------|----------|
| | Standard Rate (1) | % Change | Homestead (2) Rate (1) | % Change |
| 2000-2002 | 21.10 | 7.7 | 14.25 | 6.7 |
| 2003 | 22.70 | 7.6 | 15.30 | 7.4 |
| 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 |

| Fiscal Years During Which Rates Were Effective | SUBDISTRICT 2 | | | |
|--|----------------------|----------|---------------------------|----------|
| | Standard Rate (1) | % Change | Homestead (2) Rate (1) | % Change |
| 2000-2002 | 26.60 | 8.6 | 17.80 | 6.6 |
| 2003 | 27.95 | 5.1 | 18.70 | 5.1 |
| 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 |

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

(2) These rates were first established in the 1991 fiscal year.

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 wasteloading 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).

Source: District accounting records.



MISCELLANEOUS OPERATING STATISTICS 2008-2010

| | 2008 | 2009 | 2010 |
|---|-------------------|-------------------|-------------------|
| Treatment Plant Flow | | | |
| Billions of gallons of sewage treated per plant: | | | |
| Easterly | 36.1 | 31.2 | 30.9 |
| Southerly | 43.8 | 39.1 | 39.2 |
| Westerly | 10.8 | 10.1 | 9.0 |
| Total | 90.7 | 80.4 | 79.1 |
| Total sewage treated, in MCFs (1) | 12,125,668 | 10,748,663 | 10,574,866 |
| MCFs billed, total District | 4,507,357 | 4,267,959 | 4,136,903 |

Staffing Levels

Number of employees:

| | | | |
|--------------------------------------|------------|------------|------------|
| Plant Operations & Maintenance | 363 | 353 | 357 |
| Engineering | 57 | 56 | 54 |
| Finance | 47 | 47 | 47 |
| Human Resources | 14 | 19 | 17 |
| Information Technology | 19 | 21 | 20 |
| District Administration | 46 | 47 | 50 |
| Legal | 14 | 13 | 14 |
| Communications & Community Relations | 16 | 16 | 18 |
| Watershed Programs (2) | 58 | 62 | 63 |
| Total | 634 | 634 | 640 |

Budgeted employees, total District

| | | |
|------------|------------|------------|
| 660 | 668 | 679 |
|------------|------------|------------|

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

(2) Watershed Programs reclassified from Plant Operations & Maintenance beginning in 2008.

Source: Various District records.





Northeast Ohio Regional Sewer District

OUR MISSION:

We will serve our customers by leading effective wastewater and stormwater management that protects the health and environment of our region while enhancing quality of life.