



# 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
A POLITICAL SUBDIVISION OF THE STATE OF OHIO

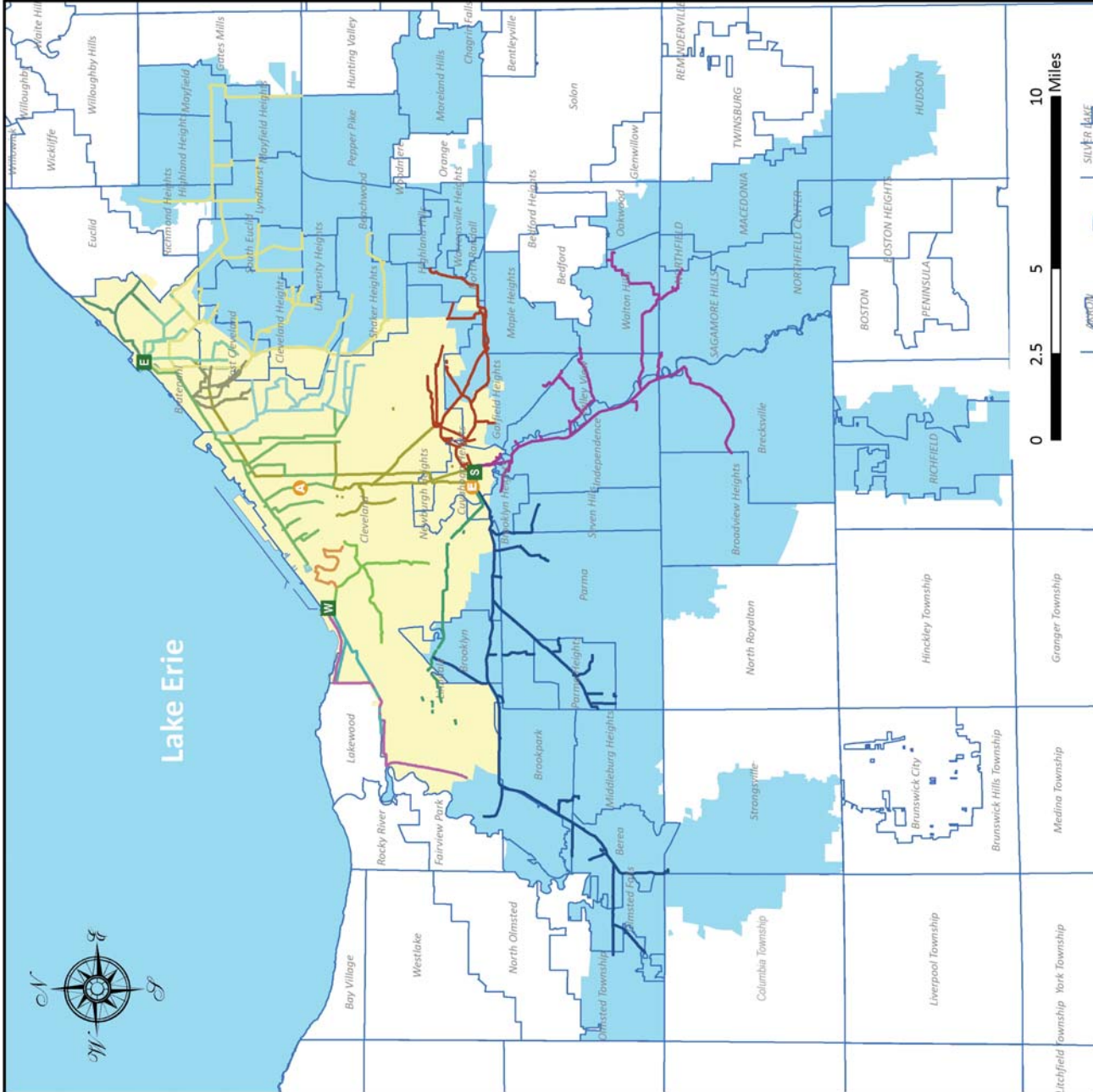
 **Northeast Ohio  
Regional Sewer District**





# Northeast Ohio Regional Sewer District

- 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
- 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 Interceptors & 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



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

# **Northeast Ohio Regional Sewer District**

## **A Political Subdivision of the State of Ohio**

2014 Comprehensive Annual Financial Report  
For the Years Ended December 31, 2014 and 2013

Prepared by the Department of Finance

Jennifer L. Demmerle, CPA  
Chief Financial Officer



**NORTHEAST OHIO REGIONAL SEWER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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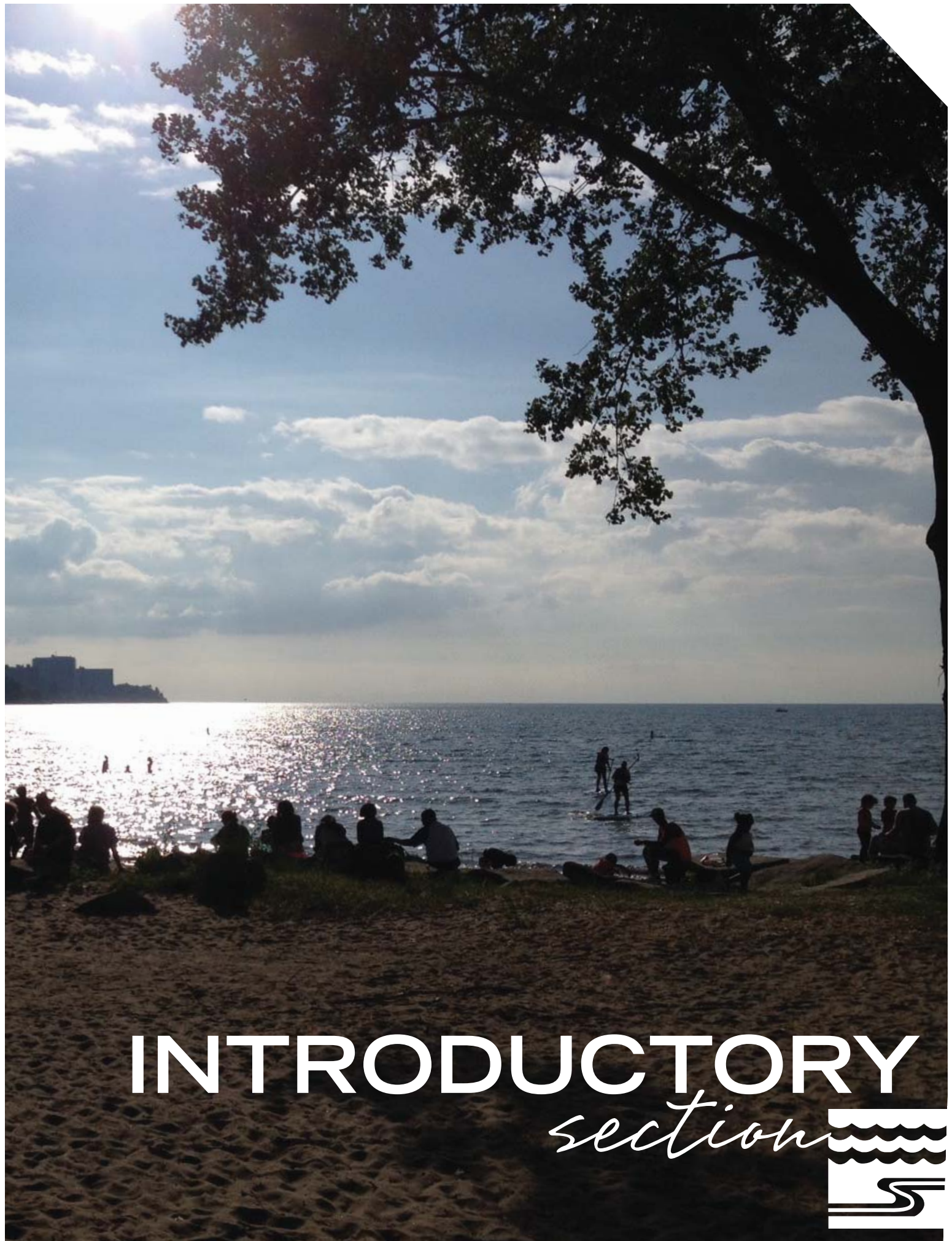
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**NORTHEAST OHIO REGIONAL SEWER DISTRICT**  
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# INTRODUCTORY *section*



June 25, 2015

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

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements. These financial statements are required to be presented in conformity with generally accepted accounting principles (GAAP) audited in accordance with standards generally accepted in the United States of America by licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Northeast Ohio Regional Sewer District for the fiscal years ended December 31, 2014 and 2013.

This report consists of management's representations concerning the finances of the Northeast Ohio Regional Sewer District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Northeast Ohio Regional Sewer District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Northeast Ohio Regional Sewer District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Northeast Ohio Regional Sewer District's comprehensive framework of internal controls has been 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 Northeast Ohio Regional Sewer 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 Northeast Ohio Regional Sewer District for the fiscal years ended December 31, 2014 and 2013, 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 upon the audit, that there is reasonable basis for rendering an unmodified opinion that the Northeast Ohio Regional Sewer District's financial statements for the fiscal years ended December 31, 2014 and 2013 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

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



## **PROFILE OF THE DISTRICT**

### **General**

The District is an independent political subdivision of and organized under the laws of the State of Ohio, specifically Chapter 6119 of the Ohio Revised Code. Originally named the Cleveland Regional Sewer District, it was created in 1972 for the purpose of assuming the operation and management of certain wastewater collection, treatment and disposal facilities serving the Cleveland metropolitan area. Prior to 1972, these facilities were owned and operated by the City of Cleveland.

### **Service Area**

The District's service area covers approximately 350 square miles. The District encompasses nearly all 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 near 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.

### **Governance**

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

### **Budgets**

General provisions regulating the District's budget and appropriation procedures are set forth in the Ohio Revised Code. The Chief Executive Officer is required to submit the District's operating and capital budgets to the Board of Trustees and they are required to adopt such budgets by March 31 of the year to which they apply. Readers should refer to the Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual on page 56 of this report, along with the accompanying Notes to Supplementary Information for additional budgetary information.

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### **Local Economy**

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

The annual unemployment rate in 2014 (not seasonally adjusted) for Cuyahoga County, which is significantly the same as the District's service area, was 6.4%. Cuyahoga County's unemployment rate was 0.7% higher than (not seasonally adjusted) the rate of 5.7% for the State of Ohio and 0.2% higher than the national rate (not seasonally adjusted) of 6.2%. Although the City of Cleveland and Cuyahoga County have experienced an outward migration of residents to neighboring suburbs and counties, the presence of corporate, cultural and entertainment facilities continues to attract visitors and commuters to the area.

### **Long-Term Financial Planning**

The District has produced a strong financial history since its inception in 1972. Moving forward, the District is positioned to continue to meet the level of service and regulatory requirements demanded by its customers, its Board of Trustees and regulatory agencies. Part of that responsibility will entail investment, over the next 25 years, of approximately \$5 billion in new Combined Sewer Overflow (CSO) controls and wastewater facility improvements.

The District maintains a long-range financing plan for its Operating and Capital budgets. The District's five-year financing plan for the capital budget provides for over \$1.4 billion in capital project expenditures from 2015 to 2019, primarily for improvements to our Westerly wastewater treatment plant and our CSO long-term control plan. This includes approximately \$180.2 million for the plants, \$1.1 billion for the CSO projects, \$50.7 million for the collection system improvements, and \$111.2 million of miscellaneous District-wide improvements and minor capital purchases. Over this five-year period, the District will need to address both regulatory driven capital improvements and rehabilitation driven capital improvements at its three (3) wastewater treatment plants and within its collection system.

In 2010, the District completed a five-year long-term financial and rate impact model for rates in effect from 2012-2016. The model incorporates specific year by year details to determine the sewer rates over the five-year rate period.

## **Debt Administration**

At year-end, the District had bonded debt outstanding of \$1,062,805,000. The debt, including applicable bond premium costs, is \$1,136,819,461. The District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2014, the outstanding loan balance was \$469,535,924 for the WPCLF. Outstanding revenue bonds of the District are rated AA+ by Standard & Poor's and Aa1 by Moody's rating agencies. Note 6 to the financial statements include schedules of debt outstanding and future debt service requirements.

In 2005, the District refinanced bonded debt that was outstanding at the time. These legal defeasance transactions resulted in funds being deposited with escrow agents who invested them in U.S. Treasury obligations which, together with the income earned on such investments, will be sufficient to service the debt until maturity or redemption. The refinanced debt and the escrow funds, deposited in irrevocable trusts, are excluded from the District's statements of net position since the District has legally satisfied its obligations as a result of the refunding transactions. This information should be read in conjunction with Note 6 to the financial statements.

In 2007, the District issued \$126,055,000 Wastewater Improvement Revenue Bonds, Series 2007, for the purpose of providing funds for the acquisition, construction, and improvement of water resource projects, funding the Debt Service Reserve Requirement for the Series 2007 Bonds, and paying certain costs of issuance of the Series 2007 Bonds. This information should be read in conjunction with Note 6 to the financial statements.

In 2010, the District issued \$336,930,000 Wastewater Improvement Revenue Bonds, Series 2010, as Federally Taxable Build America Bonds for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 6 to the financial statements.

In 2013, the District issued \$249,535,000 Wastewater Improvement Revenue Bonds, Series 2013, for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 6 to the financial statements.

In 2014, the District issued \$419,030,000 of Wastewater Improvement Revenue and Refunding Bonds, Series 2014. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds were comprised of \$350,570,000 (2014A) for new bonds and \$68,460,000 (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 were issued for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 6 to the financial statements.



## **MAJOR INITIATIVES**

### **For the Year**

#### **2014 Awards**

During 2014, the District received awards for 2013 plant performance from the National Association of Clean Water Agencies (NACWA). NACWA honored all three of our Wastewater Treatment Plants (WWTP's) for excellent performance in 2013.

The District's Easterly plant earned the NACWA Platinum Peak Performance Award and the WEF Safety Award for Large Wastewater Plants. The Westerly and Southerly plants earned a Peak Performance Gold award that recognizes facilities with no National Pollutant Discharge Elimination System (NPDES) permit exceedences in a year. Awards for 2014 performance have not been announced as of the date of this report.

During 2014, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the District for the eighth time for its 2014 Budget.

#### **Business Opportunity Program**

The Office of Contract Compliance was formed in 2008. After receiving the recommendations from the Disparity Study in 2010, the Business Opportunity Program (BOP) was created which allows Minority Business Enterprise (MBE), Women Business Enterprise (WBE), and Small Business Enterprise (SBE) goals to be placed on projects. The Office of Contract Compliance monitors payments, prevailing wages and provides outreach services for certified firms. The BOP is designed to contribute to the economic health and vitality of the region by providing a greater opportunity to conduct business with the District, resulting in job and business growth for the local business community. Bringing new companies into the District's procurement process enhances the competitive bidding process which helps deliver the greatest value. The District awarded nearly \$45 million dollars' worth of business to MBE/WBE/SBE businesses across Northeast Ohio in 2014. The payments to small firms were indirect or direct in the areas of goods, professional services, construction and engineering.

#### **Supplier Registration**

In November 2013, the Purchasing Department implemented the new Oracle eBusiness Suite which included Purchasing, Sourcing and the iSupplier online registration system. Suppliers will benefit from a more streamlined purchasing process that involves electronic communication. They will be able to view all purchase order activity for their company, provide quotes and see awarded quotes, create invoices and track payment status using iSupplier. The system tracks product and services provided by the registered supplier for future quoting opportunities and suppliers interested in participating in the Business Opportunity Program. The District currently has over 5,000 registered suppliers.

## Human Resources Programs

District employees are the most valuable resource we can deploy to move the organization forward and achieve our mission. We place high value on each employee's contribution and commitment to the organization as evidenced by the quality, value, and variety of programs provided to benefit our employees both professionally and personally, and to foster a better-prepared and healthier workforce. These programs are made available to each employee to prepare and support their professional qualifications and credentials, as well as maintain their personal health and wellness. Programs include but are not limited to a first class health and wellness program, employee recognition events, developmental and learning opportunities, as well as performance management.

Some highlights of our programs include but are not limited to the following:

- *Health and Wellness*

The health and wellness of our employees and their dependents are of vital importance to our organization. We pride ourselves on our active approach towards health and wellness, and understand that our organization benefits tremendously when our employees and their dependents are well. Our wellness initiatives engage our employees and their dependents in healthy life style improvements, which become an individual and collective portal for *Living Well*. Some examples of activities include on-site health screenings and flu shots for employees and family members; an annual 5k run at our Southerly Wastewater Plant; and a variety of presentations and demonstrations throughout the year under focus areas such as physical wellness, mental wellness, financial wellness and others.

- *Performance Management*

Our organization continually embraces opportunities to perform at exceptional levels. For the past several years we have measured organizational performance and successes through the establishment and facilitation of a performance management system. Our performance management system incorporates measurements of individual goals, organizational core values, organizational core competencies, leadership and management competencies and rewards employees for their accomplishments with performance bonuses.

- *Giving Beyond the District's Walls*

In 2014, the employees of the District raised over \$90,000 for local charities which is a fundraising record for the District. Employees generously gave to three leading organizations including The Greater Cleveland United Way, The Greater Cleveland Community Shares, and The United Negro College fund. The President and CEO of The Greater Cleveland United Way publically thanked our organization at a Northeast Ohio Regional Sewer District Board meeting noting that the District is one of the only organizations where its giving level continues to increase annually.

- *Diversity and Inclusion*

The District's commitment to diversity and inclusion is a long-term strategy that maximizes the development of cultural competence. We strive to achieve greater productivity, and to respond proactively to America's evolving cultural demographics. The District's Diversity and Inclusion (D&I) Team continued to address the initiatives as set forth in the Diversity Strategic Plan during the 2014 fiscal year. The team worked on the following four specific areas: develop consistent employee understanding of business value of D&I, build an inclusive and cohesive workforce to drive employee engagement, improve perceived equity of people processes and practices and develop and enhance strategic business and community partnerships/relationships. To show our dedication for communication, education, accountability, measurement and accomplishments, here are some of the District's 2014 accomplishments:

- The District was awarded the Best in Class Award for Senior Leadership Diversity and Supplier Diversity from the Commission on Economic Inclusion.
- Because of consistent and on-going progress in all areas of diversity for the past several years the District was inducted into the Commission 50. Members of the Commission 50 are recognized annually for progress in creating, enhancing and sustaining their diversity and inclusion strategies.
- The District was also inducted to The Commission on Economic Inclusion Hall of Fame this year. We were admitted for consistently demonstrating our commitment to workplace diversity and inclusion and having been multi-year winners of our Best-in-Class awards.
- The District participated in a number of community initiatives that involved diversity awareness including LeadDiversity; The YWCA It's Time to Talk; The Diversity Center Walk; and the annual Humanitarian Dinner which recognized George Sample as an Alumni of the Year.
- The Administrative Professionals Network (APN) hosted a number of workshops to enhance professional development while also increasing productivity and skill level.
- The Veterans Employee Resource Group staged a special district-wide celebration of military veterans across the district in honor of Veterans Day. Their members continue to assist in the recruitment and hiring of military Veterans.
- The African American Employee Resource Group hosted a number of events over the past year focusing on both professional development and cultural awareness. It continues to contribute to the outreach as it relates to hiring and recruitment.

- *Employee Recognition Program*

The Employee Recognition program which was implemented in late 2009 gained great acceptance during 2010 and continues to thrive. The program was created to foster a culture of appreciation, making recognition a part of our daily activities. The program's goal is to celebrate employees' contributions for the value they add to furthering the District's mission and vision as demonstrated by our core values.



In 2014, 45 employees were given an Employee of the Month award, 23 Teams were recognized, and 3 employees were presented with Annual Spirit Awards. In addition, a Lifetime Achievement Award was added to recognize an employee who upholds and exemplifies our core values and has made a significant impact on the District throughout his/her career.

Moving forward, the program goal is to continue to cultivate a culture of appreciation, resulting in an environment where appreciation is not an event, but is embedded into the culture as an everyday business practice.

## **CSO Long-Term Control Plan**

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

Prior to the CSO LTCP, the District had already invested an estimated \$850 million and reduced CSO volumes by half – from 9 to 4.5 billion gallons since 1972. The District's CSO LTCP will further control CSOs reducing the number of overflows to four or less per year (three or less at priority CSOs) resulting in an estimated 98.0% capture of all wet weather flows and reducing CSO volumes to less than 500 million gallons in a typical year.

In 2014, the District commenced construction of its third large-scale tunnel, the Dugway Storage Tunnel and is scheduled to complete construction on its second large-scale tunnel, the Euclid Creek Tunnel. These tunnels when complete will have the capacity to store 117 million gallons of combined sewage for treatment at the District's Easterly Wastewater Treatment Plant controlling approximately 1 billion gallons of CSO in a typical year. Additionally, the design of the fourth large-scale tunnel, the Westerly Storage Tunnel, and associated pump station are scheduled to commence design. Ultimately, the District will construct seven tunnels, which range from two to five miles in length, up to 300 feet underground and up to 24 feet in diameter. The tunnels are similar to the Mill Creek Tunnel, a structure that has the capacity to store 75 million gallons of combined sewage until it can be treated at the District's Southerly Wastewater Treatment Plant.

Some of the other major CSO projects outside of the storage tunnels include the expansion of the Easterly WWTP secondary treatment capacity which will provide full treatment to an additional 700 million gallons of wet weather flow in a typical year upon completion in late 2016 and a chemically enhanced high rate treatment (CEHRT) facility for treatment and disinfection of CSO 001 the largest of the District's CSOs. At the Southerly WWTP, the District will expand wet weather treatment capacity and add CEHRT and disinfection for treatment of additional wet weather flows. The District will also upgrade the existing Westerly CSO Treatment Facility (CSOTF) with CEHRT and disinfection for further treatment of CSO 002 the third largest of the District's CSOs.

The District has incorporated opportunities to construct green infrastructure in place of traditional gray infrastructure where determined cost-effective in its plan, which also includes a commitment to a minimum of \$42 million in green infrastructure projects to reduce a minimum of 44 million gallons of wet weather CSO flows beyond those captured by the tunnel systems. Many of these projects, which are required to be constructed by 2019, are under design with several currently under construction.

## **Asset Management**

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

### **Capital Planning:**

The District has been utilizing a risk-based, consistent method for validating and prioritizing its Engineering Capital Improvement Program for the past several years. Additionally, the District has collected data for all of its plant and collection system assets to understand each asset's condition, criticality, repair and/or replacement costs, and estimated year of renewal. The District has used this data to forecast long-term asset-related expenditures by year for incorporation into the Capital Improvement Program planning process.

### **Maintenance Activities:**

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

## **Biosolids Management**

Approximately 46,000 dry tons of biosolids (sewage sludge) were removed from the wastewater at the District's three wastewater treatment plants in 2014. Of this amount, roughly 92.0% was burned in the District's two multiple hearth and three fluidized bed biosolids incinerators. The balance was hauled to a municipal solid waste landfill for disposal or to a reclamation project for beneficial reuse.

A District Residuals Management Study completed in 2005, and validated in 2008, determined that the District's most cost-effective long-term biosolids management option was to continue incineration, with land filling as a secondary option. As a result, the District had undertaken a program to replace the four existing incinerators located at the Southerly WWTP with three new state-of-the-art fluidized bed incinerators. The final design of the project included a Renewable Energy Facility (REF) to house waste heat boilers and a turbine generator to create electricity that will supply power from the incineration process to the Southerly WWTP. The new REF and incinerator facility was placed into service in 2014 and has a current total project cost estimate of approximately \$165 million. After the REF facility was placed into service, the four multiple hearth incinerators were decommissioned.

## **For the Future**

### **Regional Stormwater Management Program**

The District's Court Order required the District to "develop a detailed integrated capital improvement plan for regional management of wastewater collection and storm drainage to identify a capital improvement program for the solution of all intercommunity drainage problems (both storm and sanitary) in the District." The District initially focused on the sanitary sewage portion of this mandate, investing over \$3 billion since its inception on sanitary sewage-related projects. To address the regional stormwater portion of this mandate, the District procured services in 2007 to assist with the development and implementation of a Regional Stormwater Management Program (the "Stormwater Program"). Tasks related to defining stormwater program roles and responsibilities, funding approaches, resource needs, legal issues, customer service requirements and data/billing issues were addressed, leading to the development of the District's Stormwater Code of Regulations (Title V), which the District's Board of Trustees approved in January 2010.

From 2010-2012, the Stormwater Program was in litigation in the Cuyahoga County Common Pleas Court over issues related to the District's "authority" to implement the program as an Ohio 6119 entity, and "fee versus tax" issues related to the District's stormwater fee. The District prevailed in the litigation, and began the Stormwater Program in January 2013. 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 will be used to fund construction projects to solve regional stream flooding and erosion problems, operation and maintenance activities to minimize the potential for flooding and erosion and master planning studies to outline a long-term construction and maintenance program along regional streams. Twenty-five percent (25.0%) of cash collected from each municipality within the service area will be returned to the respective member community for funding of local stormwater management projects.

In July 2012, parties opposed to the District's Regional Stormwater Management Program filed an appeal to the 8<sup>th</sup> Appellate District to seek a halt to the Regional Stormwater Management Program. On September 26, 2013, the Appellate Court halted the District's Regional Stormwater Management Program by a 2 to 1 decision with a strong dissent. The District immediately suspended its program and placed all fees collected into an interest bearing escrow account pending an appeal to the Supreme Court of Ohio. The District filed its notice of appeal in November 2013, and the Supreme Court accepted the case in February 2014. Oral arguments before the Supreme Court took place on September 9, 2014. The District is awaiting a decision from the Supreme Court in this case.

### **Strategic Plan**

In the fall of 2012, Chief Executive Officer Julius Ciaccia, along with the Senior Staff, updated and revised the District's Strategic Plan to chart the organization's direction for the next four years. The Strategic Plan covers 2013 through 2016.

A variety of data was assembled to guide the deliberations of the Strategic Planning Committee. These various materials included:

- In-depth review conducted on numerous strategic planning efforts throughout the United States.
- Interviews with senior management and key employees.



- Review of past District Capital Improvement Programs and identification of trends.
- Review and analysis of past District's Strategic Plans and carryover of pertinent information and work-in-progress.
- A series of workshops with the Senior Staff leadership team.

Through a series of facilitated work sessions, the Strategic Planning Committee revisited and refined the District's mission, crafted a new vision statement, reaffirmed the organization's core values, and developed the following five strategic goals to guide the organization over the next four years: (1) Operational Excellence; (2) Fiscal Responsibility; (3) Customer Service; (4) Community Partnerships; and (5) Organization and Employee Effectiveness.

The Strategic Plan provides a navigational guide for the District over the next four years. The continually changing environment in which the District operates will require annual review in order for the plan to remain most timely and useful. With the implementation of the strategies in this plan there is every reason to believe that the District will understand and meet consumer needs, enhance water quality, provide for cost-effective and efficient capital improvements and continue to build on its already strong reputation as a preeminent leader among water agencies.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Northeast Ohio Regional Sewer District for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the 19<sup>th</sup> consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **ACKNOWLEDGEMENTS**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Julius Ciaccia', written over a horizontal line.

Julius Ciaccia  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Jennifer L. Demmerle', written over a horizontal line.

Jennifer L. Demmerle, C.P.A.  
Chief Financial Officer



***2013 Comprehensive Annual Financial Reporting Award***



***2014 Government Finance Officers Association  
Distinguished Budget Award***





# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## TABLE OF ORGANIZATIONS

### DECEMBER 31, 2014

#### BOARD OF TRUSTEES



Darnell Brown  
Board President



Ronald D. Sulik  
Vice President



Walter O'Malley  
Secretary



Mayor Jack Bacci



Mayor Timothy DeGeeter



Sharon A. Dumas



Mayor Robert A. Stefanik

#### OFFICERS



Julius Ciaccia  
Chief Executive Officer



Jennifer L. Demmerle  
Chief Financial Officer  
44 employees



Kellie C. Rotunno  
Chief Operating Officer  
424 employees



Marlene Sundheimer  
Chief Legal Officer  
9 employees

#### DIRECTORS



James Bunsey  
Director of Engineering and  
Construction  
61 employees



Douglas M. Dykes  
Director of Human  
Resources  
16 employees



Francis P. Greenland  
Director of Watershed  
Programs  
77 employees



Constance T. Haqq  
Director of Administration  
and External Affairs  
38 employees



Humberto J. Sanchez  
Director of Information  
Technology  
22 employees



Raymond Weeden  
Director of Operations and  
Maintenance  
363 employees





## **Independent Auditor's Report**

Board of Trustees  
Northeast Ohio Regional Sewer District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Northeast Ohio Regional Sewer District (the "District"), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2014 and 2013, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, 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.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, budgetary comparison information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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. Such 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



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 25, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 25, 2015



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# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Management's Discussion and Analysis**

The following discussion provides a summary overview of the financial activities of the Northeast Ohio Regional Sewer District (the "District") for the year ended December 31, 2014. This information should be read in conjunction with the letter of transmittal and basic financial statements included in this report.

### **Financial Highlights**

- Assets and deferred outflows of resources exceeded liabilities by \$1,337,079,842.
- Net position increased by \$20,752,108.
- Net investment in capital assets decreased by \$48,915,686.
- Unrestricted net position increased by \$69,667,794.
- Retirements of debt principal were \$116,669,919, of which, \$72,940,000 was for the defeasance of a portion of 2007 bonds.
- Operating revenues increased by \$29,395,275.
- Operating expenses increased by \$9,295,866.

### **Overview of the Financial Statements**

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

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

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

The following tables provide a summary of the District's financial position and operations for 2014, 2013 and 2012, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

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

	2014	2013	Change	
			Amount	%
<u>Assets</u>				
Current Assets	\$ 737,809	\$ 456,019	\$ 281,790	61.8%
Capital Assets, Net	2,208,571	2,078,467	130,104	6.3%
Other Noncurrent Assets	77,513	77,977	(464)	(0.6%)
<b>Total Assets</b>	<b>3,023,893</b>	<b>2,612,463</b>	<b>411,430</b>	<b>15.7%</b>
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	139	256	(117)	(45.7%)
<b>Total Assets and Deferred Outflows of Resources</b>	<b>3,024,032</b>	<b>2,612,719</b>	<b>411,313</b>	<b>15.7%</b>
<u>Liabilities</u>				
Current Liabilities	122,078	112,543	9,535	8.5%
Long-Term Debt	1,561,574	1,183,048	378,526	32.0%
Other Long-Term Liabilities	3,300	800	2,500	312.5%
<b>Total Liabilities</b>	<b>1,686,952</b>	<b>1,296,391</b>	<b>390,561</b>	<b>30.1%</b>
<u>Net Position</u>				
Net Investment in Capital Assets	1,018,734	1,067,650	(48,916)	(4.6%)
Unrestricted	318,346	248,678	69,668	28.0%
<b>Total Net Position</b>	<b>\$ 1,337,080</b>	<b>\$ 1,316,328</b>	<b>\$ 20,752</b>	<b>1.6%</b>

Net position may serve as a useful indicator of financial position. The District's assets and deferred outflows of resources exceeded liabilities by \$1,337,079,842 as of December 31, 2014, of which \$1,018,734,360 is for net investment in capital assets.

The largest portion of the District's net position is reflected in its capital assets, less accumulated depreciation and related debt outstanding used to fund these asset acquisitions.

During 2014, net position increased by \$20,752,108. The majority of this increase was due to the following:

- Sewage service fees receivable from customers increased by \$12,897,626.
- Receivables from Federal and State agencies increased by \$3,101,198.
- Long-Term Investments decreased by \$1,196,370.
- Capital assets increased by \$130,103,777 due mainly to construction in progress and additions to the wastewater treatment and conveyance systems.
- Total debt increased by a net amount of \$337,994,768. Additions of \$35,634,687 were for WPCLF and \$419,030,000 were for wastewater improvement revenue bonds, series 2014 and wastewater improvement revenue refunding bonds, series 2014. The reductions of \$43,729,919 were for the repayment of debt principal on revenue bonds and WPCLF, and \$72,940,000 were for the defeasance of a portion of 2007 bonds.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

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

	2013	2012	Change	
			Amount	%
<u>Assets</u>				
Current Assets	\$ 456,019	\$ 216,424	\$ 239,595	110.7%
Capital Assets, Net	2,078,467	1,924,494	153,973	8.0%
Other Noncurrent Assets	77,977	172,416	(94,439)	(54.8%)
<b>Total Assets</b>	<u>2,612,463</u>	<u>2,313,334</u>	<u>299,129</u>	<u>12.9%</u>
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	256	407	(151)	(37.1%)
<b>Total Assets and Deferred Outflows of Resources</b>	<u>2,612,719</u>	<u>2,313,741</u>	<u>298,978</u>	<u>12.9%</u>
<u>Liabilities</u>				
Current Liabilities	112,543	98,022	14,521	14.8%
Long-Term Debt	1,183,048	913,611	269,437	29.5%
Other Long-Term Liabilities	800	1,050	(250)	(23.8%)
<b>Total Liabilities</b>	<u>1,296,391</u>	<u>1,012,683</u>	<u>283,708</u>	<u>28.0%</u>
<u>Net Position</u>				
Net Investment in Capital Assets	1,067,650	1,065,406	2,244	0.2%
Unrestricted	248,678	235,652	13,026	5.5%
<b>Total Net Position</b>	<u>\$ 1,316,328</u>	<u>\$ 1,301,058</u>	<u>\$ 15,270</u>	<u>1.2%</u>

Net position may serve as a useful indicator of financial position. The District's assets and deferred outflows of resources exceeded liabilities by \$1,316,327,734 as of December 31, 2013, of which \$1,067,650,046 is for net investment in capital assets.

The largest portion of the District's net position is reflected in its capital assets, less accumulated depreciation and related debt outstanding used to fund these asset acquisitions.

During 2013, net position increased by \$15,269,570. The majority of this increase was due to the following:

- Sewage service fees receivable from customers increased by \$1,807,669.
- Receivables from Federal and State agencies decreased by \$1,606,519.
- Construction funds in the capital project account decreased by \$88,115,858.
- Capital assets increased by \$153,973,421 due mainly to construction in progress and additions to the wastewater treatment and conveyance systems.
- Total debt increased by a net amount of \$239,490,198. Additions of \$34,330,049 were for WPCLF and \$249,535,000 were for wastewater improvement revenue bonds, series 2013. The reductions of \$44,374,851 were for the repayment of debt principal on revenue bonds and WPCLF.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Condensed Statements of Revenues, Expenses and Changes in Net Position For the years ended December 31, (In Thousands)

	2014	2013	Change	
			Amount	%
<u>Operating Revenues, Net</u>				
Sewer Service Fees				
Billing Agents				
City of Cleveland	\$ 206,720	\$ 179,391	\$ 27,329	15.2%
Other Billing Agents	13,901	13,210	691	5.2%
Total Billing Agents	220,621	192,601	28,020	14.5%
Direct Billed Sewer Service Fees	17,686	16,228	1,458	9.0%
Total Sewer Service Fees	238,307	208,829	29,478	14.1%
Other Operating Revenue				
Septic Tank and Municipal Sludge Fees	452	403	49	12.2%
Miscellaneous	426	558	(132)	(23.7%)
Total Other Operating Revenue	878	961	(83)	(8.6%)
<b>Total Operating Revenues, Net</b>	<b>239,185</b>	<b>209,790</b>	<b>29,395</b>	<b>14.0%</b>
<u>Non-Operating Revenues</u>				
Interest Revenue	994	1,879	(885)	(47.1%)
Federal Subsidy Revenue	6,438	6,327	111	1.8%
Non-Operating Grant Revenue	1,304	1,384	(80)	(5.8%)
Increase (Decrease) in Fair Value of Investments, Net	296	(417)	713	171.0%
<b>Total Non-Operating Revenues</b>	<b>9,032</b>	<b>9,173</b>	<b>(141)</b>	<b>(1.5%)</b>
<b>Total Revenues</b>	<b>248,217</b>	<b>218,963</b>	<b>29,254</b>	<b>13.4%</b>
<u>Operating Expenses</u>				
Salaries and Wages	46,227	43,890	2,337	5.3%
Fringe Benefits	14,611	14,204	407	2.9%
Utilities	15,267	14,898	369	2.5%
Professional and Contractual Services	22,286	24,747	(2,461)	(9.9%)
Other	3,807	2,156	1,651	76.6%
Depreciation	57,172	50,180	6,992	13.9%
<b>Total Operating Expenses</b>	<b>159,370</b>	<b>150,075</b>	<b>9,295</b>	<b>6.2%</b>
<u>Non-Operating Expenses</u>				
Interest Expense on Long-Term Debt	59,923	51,758	8,165	15.8%
Non-Operating Grant Expenses	4,259	1,520	2,739	180.2%
Loss on Disposals of Equipment	3,913	341	3,572	1047.5%
<b>Total Non-Operating Expenses</b>	<b>68,095</b>	<b>53,619</b>	<b>14,476</b>	<b>27.0%</b>
<b>Total Expenses</b>	<b>\$ 227,465</b>	<b>\$ 203,694</b>	<b>\$ 23,771</b>	<b>11.7%</b>



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Condensed Statements of Revenues, Expenses and Changes in Net Position For the years ended December 31, (In Thousands)

	2014	2013	Change	
			Amount	%
<b>Change in Net Position</b>	\$ 20,752	\$ 15,270	\$ 5,482	35.9%
Net Position at Beginning of Year	1,316,328	1,301,058	15,270	1.2%
<b>Net Position at End of Year</b>	<u>\$ 1,337,080</u>	<u>\$ 1,316,328</u>	<u>\$ 20,752</u>	<u>1.6%</u>

Operating revenues consist mainly of user charges for sewage service fees based on water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2014:

- Operating revenues increased by \$29,395,275 (14.0%) compared to 2013. The increase was due to higher billing rates in 2014, coupled with a slight increase in consumption.
- Non-operating revenues decreased by \$141,141 (1.5%). Non-operating revenues consist of interest revenue, the change in fair value of investments, grant revenue and Federal subsidy revenue. Interest revenue decreased by \$885,751 (47.1%) due to lower interest rates. The fair value of investments for 2014 increased by \$712,832 (171.0%). Non-operating grant revenue decreased by \$79,284 (5.8%) due to the decrease of funds received for Water Resource Sponsorship Programs. Federal subsidy revenue increased by \$111,062 (1.8%).
- Operating expenses increased \$9,295,866 (6.2%) compared to 2013. Main components of operating expenses are as follows:
  - Salary and wages increased \$2,336,963 (5.3%).
  - Fringe benefits increased \$406,902 (2.9%).
  - Utilities increased \$369,598 (2.5%) due to an increase in power cost. Solid handling waste removal decreased \$869,399 (60.1%);
  - Professional and Contractual Services decreased \$2,460,938 (9.9%) due to a decrease in non-capitalized costs from the Watershed project and general engineering services.
  - Materials and Supplies increased \$806,257 (19.8%) and Judgments and Awards increased \$342,541 (566.5%) due to an increase in litigation costs. Other expenses increased as follows: \$1,220,760 (63.9%) for Chemicals required for the new Southerly Renewable Energy Facility and \$548,438 (19.9%) for Repairs and Maintenance.
- Non-operating expenses increased \$14,475,730 (27.0%). Losses on equipment disposals increased \$3,572,478 (1,047.5%) due to increases in disposals of obsolete equipment in 2014. Non-operating grant expense increased \$2,738,523 (180.1%). Interest expense increased by \$8,164,729 (15.8%).

The following table on the next page summarizes the changes in revenues and expenses for the District between 2013 and 2012.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Condensed Statements of Revenues, Expenses and Changes in Net Position For the years ended December 31, (In Thousands)

	2013	2012	Change	
			Amount	%
<b><u>Operating Revenues, Net</u></b>				
Sewer Service Fees				
Billing Agents				
City of Cleveland	\$ 179,391	\$ 159,114	\$ 20,277	12.7%
Other Billing Agents	13,210	11,943	1,267	10.6%
Total Billing Agents	192,601	171,057	21,544	12.6%
Direct Billed Sewer Service Fees	16,228	14,832	1,396	9.4%
Total Sewer Service Fees	208,829	185,889	22,940	12.3%
Other Operating Revenue				
Septic Tank and Municipal Sludge Fees	403	504	(101)	(20.0%)
Miscellaneous	558	848	(290)	(34.2%)
Total Other Operating Revenue	961	1,352	(391)	(28.9%)
<b>Total Operating Revenues, Net</b>	209,790	187,241	22,549	12.0%
<b><u>Non-Operating Revenues</u></b>				
Interest Revenue	1,879	2,828	(949)	(33.6%)
Proceeds from Insurance Claim	0	792	(792)	(100.0%)
Federal Subsidy Revenue	6,327	6,942	(615)	(8.9%)
Non-Operating Grant Revenue	1,384	759	625	82.3%
Decrease in Fair Value of Investments, Net	(417)	(889)	472	53.1%
<b>Total Non-Operating Revenues</b>	9,173	10,432	(1,259)	(12.1%)
<b>Total Revenues</b>	218,963	197,673	21,290	10.8%
<b><u>Operating Expenses</u></b>				
Salaries and Wages	43,890	41,255	2,635	6.4%
Fringe Benefits	14,204	13,657	547	4.0%
Utilities	14,898	13,980	918	6.6%
Professional and Contractual Services	24,747	21,827	2,920	13.4%
Other	2,156	3,388	(1,232)	(36.4%)
Depreciation	50,180	51,187	(1,007)	(2.0%)
<b>Total Operating Expenses</b>	150,075	145,294	4,781	3.3%
<b><u>Non-Operating Expenses</u></b>				
Interest Expense on Long-Term Debt	51,758	44,718	7,040	15.7%
Non-Operating Grant Expenses	1,520	759	761	100.3%
Loss on Disposals of Equipment	341	622	(281)	(45.2%)
<b>Total Non-Operating Expenses</b>	53,619	46,099	7,520	16.3%
<b>Total Expenses</b>	\$ 203,694	\$ 191,393	\$ 12,301	6.4%

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Condensed Statements of Revenues, Expenses and Changes in Net Position For the years ended December 31, (In Thousands)

	2013	2012	Change	
			Amount	%
<b>Income Before Contributions</b>	\$ 15,270	\$ 6,280	\$ 8,990	143.2%
Capital Contributions	0	920	(920)	(100.0%)
<b>Change in Net Position</b>	15,270	7,200	8,070	112.1%
Net Position at Beginning of Year	1,301,058	1,293,858	7,200	0.6%
<b>Net Position at End of Year</b>	<u>\$ 1,316,328</u>	<u>\$ 1,301,058</u>	<u>\$ 15,270</u>	<u>1.2%</u>

Operating revenues consist mainly of user charges for sewage service fees based on water consumption. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2013:

- 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 slight 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 decreased by \$614,314 (8.9%). No proceeds on insurance claims occurred during 2013.
- 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%).
  - Utilities increased \$918,313 (6.6%) due to increases in power and water costs. Solid handling waste removal decreased \$378,704 (20.7%);
  - 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.
  - 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%). 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%). Interest expense increased by \$7,039,945 (15.7%). No extraordinary events occurred during 2013.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Capital Assets

At the end of 2014, the District had \$2,208,571,269 invested in capital assets. This amount represents a net increase of approximately \$130 million, or 6.3% over 2013. 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)

	2014	2013	Change	
			Amount	%
Land	\$ 15,238	\$ 14,846	\$ 392	2.6%
Construction in Progress	561,436	516,505	44,931	8.7%
Interceptor Sewer Lines	945,578	959,166	(13,588)	(1.4%)
Buildings, Structures and Improvements and Equip.	406,407	396,660	9,747	2.5%
Sewage Treatment and Other Equipment	274,777	185,989	88,788	47.7%
Right to Use-Intangible	5,135	5,301	(166)	(3.1%)
<b>Total</b>	<b>\$ 2,208,571</b>	<b>\$ 2,078,467</b>	<b>\$ 130,104</b>	<b>6.3%</b>

#### Major Additions Placed into Service in 2014, at Cost Included:

Southerly Renewable Energy Facility Machinery and Equipment	\$ 85,611
Southerly Preliminary Treatment Facilities Improvements	22,052
Southerly Renewable Energy Facility Building	21,328
Southerly Renewable Energy Facility Software	8,815
CSO 063 Relief Consolidation Sewer	2,673
S. Steam Generation Distribution System Improvements and Heating System Mods.	912
Green Creek Culvert Repair	151
	<u>\$ 141,542</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### 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.

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

	2013	2012	Change	
			Amount	%
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 and Equip.	396,660	330,496	66,164	20.0%
Sewage Treatment and Other Equipment	185,989	150,926	35,063	23.2%
Right to Use-Intangible	5,301	5,490	(189)	100.0%
<b>Total</b>	<b>\$ 2,078,467</b>	<b>\$ 1,924,494</b>	<b>\$ 153,973</b>	<b>8.0%</b>

### Major Additions Placed into Service in 2013, at Cost Included:

Southerly Renewable Energy Facility	\$ 90,107
Easterly Screen Conveyance and Grit Handling	8,076
Easterly Code and Safety Improvements	7,566
EMSC Lab Improvements	7,408
Chemically Enhanced/High Rate Treatment (CE-HRT) Pilots---All Plants	6,098
CSO Rehab Contracts	5,272
HVAC Renovation---All Plants	3,712
Walworth Run Outfall (Ph II)	2,499
Dugway Interceptor	2,327
Automated Regulator Rehabs	2,103
Roof Renovations and Repairs ---All Plants	1,272
	<b>\$ 136,440</b>



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Management's Discussion and Analysis

### Debt Administration

At December 31, 2014, the District had total debt outstanding of \$1,606,355,385 compared to \$1,227,610,847 at December 31, 2013. This represents an increase of \$378,744,538 for total debt due to the issuance of the 2014 Wastewater Improvement Revenue Bonds. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund increased \$719,768; total debt retirements were \$116,669,919, of which, \$72,940,000 was for the defeasance of a portion of 2007 bonds. The carrying value of the long-term portion of debt at December 31, 2014 was \$1,561,573,972 and the fair value of the long-term debt was \$1,836,375,995.

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.

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)

	2014	2013	2012
Revenue Bonds	\$ 1,136,819	\$ 758,795	\$ 486,684
Water Pollution Loans Payable	469,536	468,816	470,471
Total Debt	<u>\$ 1,606,355</u>	<u>\$ 1,227,611</u>	<u>\$ 957,155</u>

### Economic Factors

In June, 2011 the District's Board of Trustees approved a schedule of rate increases for the five years 2012 through 2016. Increasingly stringent federal regulations and remaining legal obligations are key factors that led to these rate increases. A rate study of a projected five-year period concluded that the need to finance \$1 billion in federally mandated capital projects between 2012 and 2016, combined with the repayment of existing debt service for past projects and an anticipated decrease in billed consumption, necessitated the rate increases. Effective January 1, 2014, rates charged to District customers increased 12.1% to \$62.15 per mcf for City of Cleveland customers, and 11.0% to \$64.55 per mcf for the suburban customers. Also effective January 1, 2014, the fixed fee was increased to \$6.60 per quarter for all customers. Effective January 1, 2013, rates charged to District customers increased 11.9% to \$55.45 per mcf for City of Cleveland customers, and 10.7% to \$58.15 per mcf for the suburban customers. Also effective January 1, 2013, the fixed fee was increased to \$6.30 per quarter for all customers.

### Contacting the District's Financial Management

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



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Statements of Net Position

**December 31, 2014 and 2013**

	Assets		
		2014	2013
Current Assets:			
Cash	\$	145,928,422	\$ 79,081,040
Stormwater Cash Escrow		20,944,958	20,845,132
Bond Proceeds Cash		387,232,607	188,240,231
Bond Proceeds Investments		25,209,343	-
Short-Term Investments		35,091,478	61,096,348
Sewage Service Fees Receivable, Less Allowance for Doubtful Accounts of \$22,200,000 in 2014 and \$24,000,000 in 2013		104,737,606	91,839,980
Receivables from Federal, State and Other Agencies		11,253,962	8,152,764
Inventory, Prepaid Expenses and Other		7,410,752	6,763,609
Total Current Assets		<u>737,809,128</u>	<u>456,019,104</u>
Noncurrent Assets:			
Capital Assets:			
Interceptor Sewer Lines		1,179,675,551	1,176,991,620
Buildings, Structures and Improvements and Equipment		840,824,454	807,252,881
Sewage Treatment and Other Equipment		501,079,296	434,821,616
Right to Use-Intangible		5,505,574	5,489,451
		<u>2,527,084,875</u>	<u>2,424,555,568</u>
Less Accumulated Depreciation		<u>(895,188,168)</u>	<u>(877,438,403)</u>
		1,631,896,707	1,547,117,165
Land		15,238,255	14,845,659
Construction in Progress		561,436,307	516,504,668
Net Capital Assets		<u>2,208,571,269</u>	<u>2,078,467,492</u>
Long-Term Investments		48,226,735	49,423,105
Revenue Bond Debt Service Deposit		29,285,869	28,553,170
Total Noncurrent Assets		<u>2,286,083,873</u>	<u>2,156,443,767</u>
Total Assets		<u>3,023,893,001</u>	<u>2,612,462,871</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding		138,969	256,027
Total Assets and Deferred Outflows of Resources	\$	<u>3,024,031,970</u>	<u>\$ 2,612,718,898</u>

Continued

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

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Statements of Net Position (Continued)

December 31, 2014 and 2013

### Liabilities and Net Position

	2014	2013
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 6,400,247	\$ 6,996,740
Stormwater Liability	20,944,958	20,845,132
Construction Contracts and Retainages Payable	30,446,110	20,602,691
Accrued Interest	11,952,366	12,272,548
Other Accrued Liabilities	7,553,062	7,263,206
Current Maturities of Long-Term Debt	44,781,413	44,562,556
Total Current Liabilities	122,078,156	112,542,873
Noncurrent Liabilities:		
Long-Term Debt	1,561,573,972	1,183,048,291
Other Accrued Long-Term Liabilities	3,300,000	800,000
Total Liabilities	1,686,952,128	1,296,391,164
Net Position:		
Net Investment in Capital Assets	1,018,734,360	1,067,650,046
Unrestricted	318,345,482	248,677,688
Total Net Position	\$ 1,337,079,842	\$ 1,316,327,734

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

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Statements of Revenues, Expenses and Changes in Net Position

**For the years ended December 31, 2014 and 2013**

	2014	2013
Operating Revenues, Net:		
Billing Agents	\$ 220,621,174	\$ 192,601,300
Direct Billed	17,685,946	16,227,994
Other	878,279	960,830
Total Operating Revenues, Net	<u>239,185,399</u>	<u>209,790,124</u>
Operating Expenses:		
Salaries and Wages	46,226,508	43,889,545
Fringe Benefits	14,610,845	14,203,943
Utilities	15,267,723	14,898,125
Professional and Contractual Services	22,286,370	24,747,308
Other	3,807,036	2,155,767
Depreciation	57,171,918	50,179,846
Total Operating Expenses	<u>159,370,400</u>	<u>150,074,534</u>
Operating Income	<u>79,814,999</u>	<u>59,715,590</u>
Non-Operating Revenues (Expenses):		
Interest Revenue	993,560	1,879,311
Increase (Decrease) in Fair Value of Investments, Net	295,828	(417,004)
Non-Operating Grant Revenue	1,304,233	1,383,517
Non-Operating Grant Expenses	(4,259,001)	(1,520,478)
Loss on Disposals of Equipment	(3,913,066)	(340,588)
Interest on Long-Term Debt	(59,922,594)	(51,757,865)
Federal Subsidy Revenue	6,438,149	6,327,087
Total Non-Operating Revenues (Expenses), Net	<u>(59,062,891)</u>	<u>(44,446,020)</u>
Change in Net Position	20,752,108	15,269,570
Net Position at Beginning of Year	<u>1,316,327,734</u>	<u>1,301,058,164</u>
Net Position at End of Year	<u>\$ 1,337,079,842</u>	<u>\$ 1,316,327,734</u>

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

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Statements of Cash Flows

**For the years ended December 31, 2014 and 2013**

	2014	2013
Cash Flows from Operating Activities:		
Cash Received From Customers	\$ 226,287,773	\$ 207,968,064
Cash Payments to Suppliers for Goods and Services	(42,567,938)	(41,028,329)
Cash Payments to Employees for Services	(60,584,325)	(59,412,818)
Net Cash Provided by Operating Activities	<u>123,135,510</u>	<u>107,526,917</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(144,027,723)	(196,806,588)
Proceeds from Restricted Cash for Stormwater Activity	99,826	20,845,132
Proceeds from Maturities of Investments	144,975,034	316,312,012
Interest on Investments	1,008,712	2,107,765
Net Cash Provided by Investing Activities	<u>2,055,849</u>	<u>142,458,321</u>
Cash Flows from Non-Capital Financing Activities:		
Grant Payments	(142,160)	(14,391)
Grants Received	74,660	14,391
Net Cash Used in Non-Capital Financing Activities	<u>(67,500)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Long-Term Debt	(46,427,052)	(43,187,985)
Payment on Defeasance of Long-Term Debt	(72,940,000)	-
Payment of Interest on Defeasance of Long-Term Debt	(7,115,054)	-
Payment of Underwriter's Discount on Issuance of Series 2014 Bonds	(2,091,681)	(1,186,866)
Interest Payments on Long-Term Debt	(46,612,631)	(47,052,116)
Proceeds from Issuance of Series 2013 Bonds	-	249,535,000
Proceeds from Issuance of Series 2014 Bonds	419,030,000	-
Premium Received on Issuance of Series 2014 Bonds	45,250,138	33,199,765
Proceeds from Water Pollution Control Loans	33,067,348	34,718,008
Proceeds of Sale and Settlements on Capital Acquisitions	17,697	1,045,887
Acquisition and Construction of Capital Assets	(181,363,040)	(212,979,135)
Proceeds from Capital Grants	-	230,148
Net Cash Provided by Capital and Related Financing Activities	<u>140,815,725</u>	<u>14,322,706</u>
Net Increase in Cash, Stormwater Cash Escrow and Bond Proceeds Cash	<u>265,939,584</u>	<u>264,307,944</u>
Cash at Beginning of Year	79,081,040	23,858,459
Stormwater Cash Escrow at Beginning of Year	20,845,132	-
Bond Proceeds Cash at Beginning of Year	<u>188,240,231</u>	<u>-</u>
Cash, Stormwater Cash Escrow and Bond Proceeds		
Cash at End of Year	<u>\$ 554,105,987</u>	<u>\$ 288,166,403</u>

Continued

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

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Statements of Cash Flows (Continued)

**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 79,814,999	\$ 59,715,590
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	57,171,918	50,179,846
Allowance for Doubtful Accounts	(1,800,000)	2,000,000
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(11,097,626)	(3,822,060)
Inventory and Prepaid Expenses	(647,143)	(257,695)
Accounts Payable and Other Accrued Liabilities	(306,638)	(288,764)
Total Adjustments	<u>43,320,511</u>	<u>47,811,327</u>
Net Cash Provided by Operating Activities	<u>\$ 123,135,510</u>	<u>\$ 107,526,917</u>
<b>Supplemental Schedule of Non-Cash Investing, Capital and Related Financing Activities:</b>		
Long-Term Debt Recorded for Receivables from State Agencies in Connection with Water Pollution Control Loans	<u>\$ 3,430,944</u>	<u>\$ (2,100,819)</u>
Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans	<u>\$ 2,567,339</u>	<u>\$ 1,712,859</u>
Long-Term Debt Decreased due to Accrued Construction Principal Adjustment in Connection with Water Pollution Control Loans	<u>\$ (733,811)</u>	<u>\$ -</u>
Capital Assets Increased due to Capitalized Costs, Recorded Accounts Payable, and Asset Reclassifications	<u>\$ 9,843,418</u>	<u>\$ 8,470,745</u>
Increase (Decrease) in Fair Value of Investments, Net	<u>\$ 295,828</u>	<u>\$ (417,004)</u>
Deferred Debt Expense withheld from Bond Proceeds	<u>\$ -</u>	<u>\$ 1,186,866</u>
Amortization of Bond Premium	<u>\$ (4,500,368)</u>	<u>\$ (2,233,800)</u>

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



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 1: Reporting Entity

The Northeast Ohio Regional Sewer District (the "District"), a political subdivision of the State of Ohio, was created by Order of the Cuyahoga County Court of Common Pleas and commenced operations on July 18, 1972, under statutory provisions of the Ohio Revised Code. The District provides wastewater treatment and interceptor sewer facilities for the region comprised of the City of Cleveland and 61 suburban communities.

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

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

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

### Note 2: Summary of Significant Accounting Policies

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

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 2: Summary of Significant Accounting Policies (continued)**

The District adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codifications (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

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

#### **Basis of Presentation**

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

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

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

#### **Measurement Focus**

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

#### **Basis of Accounting**

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

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

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **Cash Equivalents and Investments**

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

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

The District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014 and 2013. 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 Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on the respective statements of net position dates.

#### **Short-Term Investments**

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

#### **Fair Value of Financial Instruments**

The District discloses estimated fair values for its financial instruments in accordance with the FASB ASC topic "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. Fair value estimates, methods, and assumptions are set forth below:

##### **Cash**

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

##### **Investments**

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

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **Fair Value of Financial Instruments (continued)**

##### **Long-Term Debt**

The fair value of the District's long-term debt is estimated based on the borrowing rates currently available to the District for loans with comparable maturities. The carrying value and estimated fair value of the District's long-term debt, net of the current portion, at December 31, 2014 were \$1,561,573,972 and \$1,836,375,995, respectively. The carrying value and estimated fair value of the District's long-term debt, net of the current portion, at December 31, 2013 were \$1,183,048,291 and \$1,213,597,101, respectively.

##### **Long-Term Investments and Restricted Accounts**

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

##### **Long-Term Investments**

At December 31, 2014 and 2013, these funds consisted of U.S. Treasury Securities and obligations of Federal agencies. They may be used to finance construction expenditures approved by the Board of Trustees. Under certain circumstances, the funds may be used for repayment of principal and interest costs on the Series 2005 Wastewater Improvement Revenue Refunding Bonds, the 2007 Series Wastewater Improvement Revenue Bonds, the 2010 Series Wastewater Improvement Revenue Bonds, the 2013 Series Wastewater Improvement Revenue Bonds and the 2014 Series Wastewater Improvement Revenue Bonds.

##### **Revenue Bond Debt Service Deposit**

These are advance deposits made to the District's bond trustee for principal and interest payments on revenue bonds. Investments at December 31, 2014 and 2013 consisted of direct obligations of the United States Government, plus accrued interest.

##### **Sewage Service Fees Receivable**

Sewage service fees receivable are shown net of an allowance for uncollectibles. The allowance is based on aged accounts receivable, historical collection rates, economic trends, and current year operating revenues. The allowance amounts are \$22,200,000 at December 31, 2014 and \$24,000,000 at December 31, 2013.

##### **Inventory**

Inventory consists of supplies not yet placed into service and is charged to operations when consumed. Inventory is valued at the lower of cost (weighted average) or market.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 2: Summary of Significant Accounting Policies (continued)

#### Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. sewer lines and similar items) are reported on the statements of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Northeast Ohio Regional Sewer District maintains a capitalization threshold of \$5,000. Major renewals and betterments are capitalized; the costs of normal improvements and repairs that do not add to the value of the assets or materially extend an asset's life are expensed as incurred. All reported capital assets except for land and construction in progress are depreciated. Major renewals and betterments are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

#### Bond Premium

Bond premiums are deferred and amortized over the term of the bonds using the effective-interest method. Bond premiums are presented as an increase of the carrying amount of the bonds payable.

#### Deferred Charge on Refunding

On the District financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective-interest method and is presented as deferred outflows of resources on the statements of net position.

#### Capital Contributions

Contributions of capital arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 2: Summary of Significant Accounting Policies (continued)

#### Net Position

In the District financial statements, net position is categorized into three categories. The first is net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds, restricted or unrestricted. This category represents net investment in property, plant, equipment and infrastructure. The second category is restricted, which represents assets restricted by requirements of revenue bonds, other externally imposed constraints, or by legislation, in excess of the related liabilities payable from restricted assets. The third category; unrestricted portion of net position, consists of all assets that do not meet the definition of either of the other two categories of net position. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District did not have any restricted net position at December 31, 2014 or 2013.

The District's Board of Trustees adopted a reserve policy in July 2009 that annually designates amounts of the District's unrestricted net position as Board-designated for specific purposes. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board of Trustees. A summary of reserve amounts that have been designated by the Board of Trustees at December 31, 2014 and 2013 follows:

	2014	2013
General Operating Reserve	\$ 25,831,498	\$ 25,787,758
Debt Service Reserve	29,285,869	28,553,170
Equipment Repair and Replacement Reserve	55,817,150	55,708,737
Insurance Reserve	22,718,194	22,700,745
Rate Stabilization Account	12,000,000	6,000,000
Capital Project Account	95,630,255	60,624,514

During 2014, the General Operating Reserve had a net increase of \$43,740 due to a decrease in transfers to the Capital Project Account. The Debt Service Reserve increased by \$732,699 due to the increase in total annual debt service. The Equipment Repair and Replacement Reserve increased \$108,413 due to interest revenue. The Insurance Reserve had a net increase of \$17,449 due interest allocation in this fund. Rate stabilization increased by \$6,000,000 due to available net income. Capital project account increased by \$35,005,741 due to State Revolving Fund (SRF) loan proceeds and transfers from operating account.

During 2013, the General Operating Reserve had a net increase of \$2,300,821 due to a decrease in transfers to the Capital Project Account. The Debt Service Reserve increased by \$4,782,026 due to the increase in total annual debt service. The Equipment Repair and Replacement Reserve increased \$190,503 due to interest revenue. The Insurance Reserve had a net increase of \$163,354 due to insurance proceeds related to the flood at the Southerly Wastewater Treatment Plant (WWTP) and interest revenue. Capital project account decreased by \$13,704,689 mainly due to the payments made to capital projects.

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **Revenues and Expenses**

Operating revenues and expenses result from providing wastewater conveyance and treatment services. Operating revenues consist of user charges for sewage services based on water consumption. Operating revenues are shown net of bad debt expense of \$3,648,114 in 2014 and \$5,933,299 in 2013. Operating expenses include the cost of these sewer services, including administrative expenses and depreciation on capital assets.

Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues and expenses include revenues and expenses from investing activities, capital and related financing activities, and non-capital financing activities.

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, 2014 and 2013 are unbilled sewage service fees of \$30,914,184 and \$25,759,894, respectively.

In June 2011, the Board of Trustees approved rate increases scheduled for the years 2012 through 2016. Effective January 1, 2012 the minimum charge was eliminated and a base charge was added to all quarterly bills. Rates charged to customers will increase approximately 13.0% for customers in the City of Cleveland, and 12.0% for the suburban customers. In addition to the current rate reduction Homestead Program, the District has added two new affordability programs - the Crisis Voucher Program and a Wastewater Affordability Program for those households with income level at or below 200.0% poverty level.

#### **Interest Expense**

It is the District's intention that all expenses, including interest incurred in connection with financing the construction of new facilities, be recovered on a current basis. The annual budget process is governed by a number of factors, including a covenant in the 2005 Wastewater Improvement Revenue Refunding Bond Resolution, 2007 Wastewater Improvement Revenue Bond Resolution, the 2010 Wastewater Improvement Revenue Bond Resolution, the 2013 Wastewater Improvement Revenue Bond Resolution and the 2014 Wastewater Improvement Revenue Bond Resolution which requires that the current year "net revenues" be at least 115.0% of its debt service requirements. As the District does not intend that interest costs be recovered from subsequent years' revenue, it has excluded interest as an allowable cost for future rate-making purposes. Therefore, in accordance with FASB ASC topic "Regulated Operations", all interest is expensed but is included as non-operating on the statements of revenues, expenses and changes in net position as incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources and liabilities and 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.



# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Comparative Data/Reclassifications**

Comparative data for the prior years are presented in order to provide an understanding of the changes in financial position and operations.

During 2014, the District updated the presentation of cash and investments accounts to display bond proceeds separate from the District's operating funds. This process also included reclassification of the previously presented construction funds in order to show the District's short-term and long-term investments.

**Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 25, 2015, the date the financial statements were available to be issued.

**Note 3: Deposits and Investments**

**Deposits**

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. The District's practice is to place deposits with commercial banks and savings and loan associations within its service area. At December 31, 2014, the carrying amount of the District's deposits, including certificates of deposit of \$2,815,325, was \$535,976,354 and the bank balance was \$540,746,643. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$540,246,643 was covered by collateral securities held in Federal Reserve pledge accounts in the District's name. At December 31, 2013, the carrying amount of the District's deposits, including certificates of deposit of \$3,027,608, was \$270,348,879 and the bank balance was \$271,540,604. Of the bank balance, \$750,000 was covered by Federal depository insurance and \$270,790,604 was covered by collateral securities held in Federal Reserve pledge accounts in the District's name. In the event of default by the pledging financial institution, the District may make written demand upon the Federal Reserve Bank of Boston, Massachusetts for surrender of the collateral.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 3: Deposits and Investments (continued)

#### Investments

The District's investment policies are currently governed by its Series 2014, 2013, 2010 and 2007 Wastewater Improvement Revenue Bond Resolution (the "Resolution") as permitted by state statute. The Resolution allows the District to purchase certain instruments, including obligations of the U.S. Treasury, its agencies and instrumentalities, interest-bearing demand or time deposits, repurchase agreements and, in certain situations, pre-refunded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed one year and must be collateralized by obligations of the U.S. Government or its agencies which are held by a third party custodian.

The investments included in the Revenue Bond Debt Service Deposit are governed by the provisions of a trust agreement which provides for interest and principal payments on the 2005, 2007, 2010, 2013 and 2014 Series Bonds.

At December 31, 2014 the District's investment balances and maturities were as follows:

Investment Type	Fair Value	% of Total	Maturities (in years)	
			Less than 1	1 through 5
Federal National Mortgage Assoc.	\$ 58,496,232	38%	\$ 30,132,151	\$ 28,364,081
Federal Home Loan Mortgage Corp.	31,969,065	20%	11,914,846	20,054,219
Federal Home Loan Bank	16,311,169	10%	11,305,894	5,005,275
Dreyfus Cash Management	14,013,593	9%	14,013,593	-
U.S. Treasury Bills	9,993,752	6%	-	9,993,752
Forward Delivery Agreement/FNMA	8,099,197	5%	8,099,197	-
Guaranteed Investment Contracts	7,173,079	5%	-	7,173,079
State Treasury Asset Reserve	6,148,368	4%	6,148,368	-
Federal Farm Credit Bank	2,498,450	2%	2,498,450	-
General Electric Bond	1,004,496	1%	1,004,496	-
Huntington Fund IV	235,657	0%	235,657	-
	<u>\$ 155,943,058</u>		<u>\$ 85,352,652</u>	<u>\$ 70,590,406</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 3: Deposits and Investments (continued)

At December 31, 2013 the District's investment balances and maturities were as follows:

Investment Type	Fair Value	% of Total	Maturities (in years)	
			Less than 1	1 through 5
Federal National Mortgage Assoc.	\$ 62,786,615	40%	\$ 24,418,263	\$ 38,368,352
Federal Home Loan Mortgage Corp.	38,497,673	24%	28,449,528	10,048,145
Federal Home Loan Bank	21,720,511	14%	21,720,511	-
Forward Delivery Agreement/FNMA	8,100,375	5%	8,100,375	-
Guaranteed Investment Contracts	7,173,079	5%	-	7,173,079
U.S. Treasury Bills	13,359,039	9%	13,359,039	-
General Electric Bond	1,006,606	1%	-	1,006,606
Dreyfus Cash Management	1,434,524	1%	1,434,524	-
State Treasury Asset Reserve	2,230,473	1%	2,230,473	-
Huntington Fund IV	72,847	0%	72,847	-
Key Bank - Money Market	508,405	0%	508,405	-
	<u>\$ 156,890,147</u>		<u>\$ 100,293,965</u>	<u>\$ 56,596,182</u>

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

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 3: Deposits and Investments (continued)

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, interest-bearing demand or time deposits, State Treasury Asset Reserve of Ohio ("STAR Ohio"), money market mutual funds, repurchase agreements, and in certain situations, pre-funded municipal obligations, general obligations of any state and other fixed income securities. Repurchase transactions are not to exceed one year and must be collateralized by obligations of the U.S. Government or its agencies which are held by a third party custodian. STAR Ohio is an investment pool created pursuant to Ohio statutes and is managed by the Treasurer of the State of Ohio. As of December 31, 2014, the District's investment in U.S. instrumentalities ( Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank) were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Investments in General Electric were rated AA- by Standard & Poor's and Aa3 by Moody's. Investments in U.S. Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The Investments in STAR Ohio and Bank of New York were rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the District to require full collateralization of all investments other than obligations of U.S. Government, its agencies and instrumentalities. The District's investment in U.S. agencies with fair values totaling \$106,776,466 has maturities of \$53,352,891 in less than one year and \$53,423,575 within five years. U.S. agencies are held in the accounts of Huntington Bank and PNC National Bank (Trustees), at the Federal Reserve Bank of Cleveland. The District's securities associated with the principal and interest payment of bond proceeds in the amount of \$29,285,869 are held in the account of Bank of New York under the Master Trust Agreement. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of Trustee.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District's investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer, but does not identify specific limits on the amounts that may be so invested. More than ten percent of the District's investments are in Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 4: Transactions with the City of Cleveland

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

A summary of the billing and collection transactions between the City and the District for 2014 and 2013 are as follows:

	2014	2013
Amounts due from District customers at beginning of year for invoices rendered by the City	\$ 80,922,050	\$ 79,651,042
Amounts billed to District customers by the City during the year	204,836,091	183,411,624
Cash collected from District customers by the City and remitted to the District during the year	(192,654,323)	(175,977,876)
Write off of inactive accounts	(5,435,402)	(3,517,623)
Cash collected directly by the District on invoices rendered by the City and other adjustments	(1,531,649)	(2,645,117)
Balance due from customers at end of year, included in sewage service fees receivable before allowance for doubtful accounts	<u>\$ 86,136,767</u>	<u>\$ 80,922,050</u>

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

Fees paid to the City for billing and collection services in 2014 and 2013 were \$7,282,277 and \$7,360,986, respectively.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

### **Note 5: Capital Assets and Depreciation**

Capital Asset Activity for the year ended December 31, 2014 was as follows:

	Balance December 31, 2013	Additions	Retirements	Transfers	Balance December 31, 2014
Non-depreciable Capital Assets:					
Land	\$ 14,845,659	\$ -	\$ -	\$ 392,596	\$ 15,238,255
Construction in Progress	516,504,668	187,215,471	-	(142,283,832)	561,436,307
Total Non-depreciable Capital Assets	<u>531,350,327</u>	<u>187,215,471</u>	<u>-</u>	<u>(141,891,236)</u>	<u>576,674,562</u>
Depreciable Capital Assets:					
Interceptor Sewer Lines	1,176,991,620	-	-	2,683,931	1,179,675,551
Buildings, Structures and Improvements and Equip.	807,252,881	354,624	(186,136)	33,403,085	840,824,454
Sewage Treatment and Other Equipment	434,821,616	3,636,363	(43,166,780)	105,788,097	501,079,296
Right to Use-Intangible (*)	5,489,451	-	-	16,123	5,505,574
Total Depreciable Capital Assets	<u>2,424,555,568</u>	<u>3,990,987</u>	<u>(43,352,916)</u>	<u>141,891,236</u>	<u>2,527,084,875</u>
Total Historical Cost	<u>2,955,905,895</u>	<u>191,206,458</u>	<u>(43,352,916)</u>	<u>-</u>	<u>3,103,759,437</u>
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(217,825,064)	(16,273,134)	-	-	(234,098,198)
Buildings, Structures and Improvements and Equip.	(410,592,153)	(23,846,311)	21,288	-	(434,417,176)
Sewage Treatment and Other Equipment	(248,832,778)	(16,869,631)	39,400,865	-	(226,301,544)
Right to Use-Intangible (*)	(188,408)	(182,842)	-	-	(371,250)
Total Accumulated Depreciation	<u>(877,438,403)</u>	<u>(57,171,918)</u>	<u>39,422,153</u>	<u>-</u>	<u>(895,188,168)</u>
Capital Assets, Net	<u>\$ 2,078,467,492</u>	<u>\$ 134,034,540</u>	<u>\$ (3,930,763)</u>	<u>\$ -</u>	<u>\$ 2,208,571,269</u>
Depreciation Expense Charged to Operating Expenses		<u>\$ 57,171,918</u>			



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

**Note 5: Capital Assets and Depreciation (continued)**

(\*) During 2012, the District acquired an intangible asset due to an agreement with the City of Cleveland Department of Public Utilities Division of Cleveland Public Power. Per this agreement, the District has the right to use the power provided from the Nine Mile Creek substation, which was constructed by the District, but is owned by the City. The construction of the substation was completed in 2012 and capitalized; there were minor subsequent costs in the following years. The asset's original cost basis is \$5,505,574 as of December 31, 2014 and \$5,489,451 as of December 31, 2013. Below is a schedule of the amounts to be expensed in future years:

Year Ending December 31,	Amortization of Intangible Asset
2015	\$ 183,369
2016	183,369
2017	183,369
2018	183,369
2019	183,369
2020-2024	916,843
2025-2029	916,843
2030-2034	916,843
2035-2039	916,843
2040-2042	550,107
	<u>\$ 5,134,324</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

**Note 5: Capital Assets and Depreciation (continued)**

Capital Asset Activity for the year ended December 31, 2013 was as follows:

	Balance December 31, 2012	Additions	Retirements	Transfers	Balance December 31, 2013
Non-depreciable Capital Assets:					
Land	\$ 13,900,789	\$ -	\$ -	\$ 944,870	\$ 14,845,659
Construction in Progress	448,607,422	197,248,177	-	(129,350,931)	516,504,668
Total Non-depreciable Capital Assets	<u>462,508,211</u>	<u>197,248,177</u>	<u>-</u>	<u>(128,406,061)</u>	<u>531,350,327</u>
Depreciable Capital Assets:					
Interceptor Sewer Lines	1,176,329,092	6,109	-	656,419	1,176,991,620
Buildings, Structures and Improvements and Equip.	721,709,619	288,756	(320,881)	85,575,387	807,252,881
Sewage Treatment and Other Equipment	388,419,087	6,965,347	(2,737,073)	42,174,255	434,821,616
Right to Use-Intangible (*)	5,490,089	-	(638)	-	5,489,451
Total Depreciable Capital Assets	<u>2,291,947,887</u>	<u>7,260,212</u>	<u>(3,058,592)</u>	<u>128,406,061</u>	<u>2,424,555,568</u>
Total Historical Cost	<u>2,754,456,098</u>	<u>204,508,389</u>	<u>(3,058,592)</u>	<u>-</u>	<u>2,955,905,895</u>
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(201,255,145)	(16,569,919)	-	-	(217,825,064)
Buildings, Structures and Improvements and Equip.	(391,214,036)	(19,513,063)	134,946	-	(410,592,153)
Sewage Treatment and Other Equipment	(237,492,846)	(13,908,456)	2,568,524	-	(248,832,778)
Right to Use-Intangible (*)	-	(188,408)	-	-	(188,408)
Total Accumulated Depreciation	<u>(829,962,027)</u>	<u>(50,179,846)</u>	<u>2,703,470</u>	<u>-</u>	<u>(877,438,403)</u>
Capital Assets, Net	<u>\$ 1,924,494,071</u>	<u>\$ 154,328,543</u>	<u>\$ (355,122)</u>	<u>\$ -</u>	<u>\$ 2,078,467,492</u>
Depreciation Expense Charged to Operating Expenses		<u>\$ 50,179,846</u>			

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations**

A summary of long-term debt outstanding at December 31, 2014 and 2013 follows:

	<u>Interest Rate</u>	<u>2014</u>	<u>2013</u>
Wastewater Improvement Revenue Refunding Bonds, Series 2005:			
Serial Bonds Maturing 2015 through 2016	3.50% -5.00%	\$ 20,445,000	\$ 26,635,000
Wastewater Improvement Revenue Bonds, Series 2007:			
Serial Bonds Maturing 2015 through 2037	3.75% -5.00%	36,865,000	112,430,000
Wastewater Improvement Revenue Bonds, Series 2010:			
Serial Bonds Maturing 2025 through 2040	5.44% -6.04%	336,930,000	336,930,000
Wastewater Improvement Revenue Bonds, Series 2013:			
Serial Bonds Maturing 2020 through 2043	2.00% -5.00%	249,535,000	249,535,000
Wastewater Improvement Revenue Bonds, Series 2014A:			
Serial Bonds Maturing 2017 through 2049	1.75% -5.00%	350,570,000	-
Wastewater Improvement Revenue Bonds, Series 2014B:			
Serial Bonds Maturing 2018 through 2033	4.00% -5.00%	68,460,000	-
Water Pollution Control Loans Payable Through 2036	2.44% -5.20%	469,535,924	468,816,156
Total Debt		1,532,340,924	1,194,346,156
Less Current Maturities		(44,781,413)	(44,562,556)
Bond Premium, Net		74,014,461	33,264,691
Total Long-Term Debt		<u>\$ 1,561,573,972</u>	<u>\$ 1,183,048,291</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 6: Long-Term Obligations (continued)

#### Wastewater Improvement Revenue Refunding Bonds, Series 2005

The District issued \$68,280,000 of Wastewater Improvement Revenue Refunding Bonds, Series 2005 (the “2005 Series Bonds”), in connection with the advance refunding of its Wastewater Improvement Revenue Bonds, Series 1995 (the “1995 Series Bonds”). The 2005 Series Bonds are payable from the revenues of the District, after payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues includes all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

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

#### Wastewater Improvement Revenue Bonds, Series 2007

On May 22, 2007, the District issued \$126,055,000 of Wastewater Improvement Revenue Bonds, Series 2007. The Wastewater Improvement Revenue Bonds, Series 2007 Bonds (the “Series 2007 Bonds”) were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of Water Resource Projects, (ii) funding the Debt Service Reserve Requirement for the Series 2007 Bonds, and (iii) paying certain costs of issuance of the Series 2007 Bonds. These bonds are payable from the revenues of the District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues includes all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on the monies and investments in the Revenue Bond Debt Service Deposit.

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

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

On November 17, 2010, the District issued \$336,930,000 of Wastewater Improvement Revenue Bonds, Series 2010 (the “Series 2010 Bonds”) as Federally Taxable - “Build America Bonds” for purposes consistent with the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and to receive a cash subsidy from the United States Treasury in connection therewith (the “Direct Payment”). Pursuant to the Recovery Act, the District is entitled to receive Direct Payments rebating a portion of the interest on the Build America Bonds from the United States Treasury equal to 35.0% of the interest payable on the Series 2010 Bonds.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 6: Long-Term Obligations (continued)

#### Wastewater Improvement Revenue Bonds, Series 2010 "Build America Bonds" (continued)

The Series 2010 Bonds were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects, including without limitation, the financing of 24 months of capitalized interest and (ii) paying the costs of issuance of the Series 2010 Bonds. These bonds are payable from the revenues of the District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues includes all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on the monies and investments in the Revenue Bond Debt Service Deposit.

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

#### Build America Bonds Subsidy

Under the Build America Bonds agreement, the District is to receive 35.0% of the Bond interest as the Build America Bonds Subsidy. The subsidy payments amount received in 2014 was \$6,438,149, which is a reduction of \$503,252 due to the recent sequester by Congress. The subsidy payment for 2015 also has been reduced by 7.3% in the amount of \$506,723 and all future subsidy payments have been reduced by 7.3% based on 2015 reductions. Future payments may also be reduced by Congress on an annual basis. Below is a schedule of the amounts to be received in future years:

<u>Year Ending December 31,</u>	<u>Subsidy Amount</u>
2015	\$ 6,434,678
2016	6,434,678
2017	6,434,678
2018	6,434,679
2019	6,434,679
2020 - 2024	32,173,392
2025 - 2029	31,537,341
2030 - 2034	26,049,689
2035-2039	14,286,024
2040	786,550
	<u>\$ 137,006,388</u>

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations (continued)**

Wastewater Improvement Revenue Bonds, Series 2013

On March 26, 2013, the District issued \$249,535,000 of Wastewater Improvement Revenue Bonds, Series 2013. The Wastewater Improvement Revenue Bonds, Series 2013 Bonds (the "Series 2013 Bonds") were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of Water Resource Projects and (ii) paying certain costs of issuance of the Series 2013 Bonds. These bonds are payable from the revenues of the District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues includes all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities.

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

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

On December 18, 2014, the District issued \$419,030,000 of Wastewater Improvement Revenue and Refunding Bonds, Series 2014. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds (the "Series 2014 Bonds") were comprised of \$350,570,000 (2014A) for new bonds and \$68,460,000 (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued on May 22, 2007. The Wastewater Improvement Revenue and Refunding Bonds, Series 2014 Bonds were issued for the purpose of (i) providing funds for the acquisition, construction and improvement of Water Resource Projects, (ii) paying certain costs of issuance of the Series 2014 Bonds and (iii) to refund a portion of 2007 Bonds. These bonds are payable from the revenues of the District, after the payment of operating and maintenance costs. The bonds are secured by a pledge of and lien on such net revenues. Revenues includes all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities.

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



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 6: Long-Term Obligations (continued)

#### Water Pollution Control Loans

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, but not grants, to governmental entities for the construction of publicly owned wastewater treatment facilities. 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 2005, 2007, 2010, 2013 and 2014 Series Bonds and are payable from the revenues of the District, after payment of operating and maintenance costs and are secured by a pledge of and lien on such net revenues. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project.

The repayment period for each loan commences no later than the first January or July following the expected completion dates of the project to which it relates utilizing an estimate of total eligible project costs as the preliminary loan amount. The District is required to submit final eligible project costs within one year of the project completion date at which time the final loan amount is determined and semi-annual payment amounts are adjusted to reflect such costs. The District had a SRF loan award related to a project which was not complete as of December 31, 2014. Loans related to completed construction projects are being repaid in semi-annual payments of principal and interest over a period of up to twenty-three years. SRF loans outstanding by completion or expected completion year of the related projects as of December 31, 2014 follow:

Completion or Expected Completion Year of Projects	Number of Projects	Current Amount Including Accrued Construction Period Interest	Additional Available Borrowings Including Construction Period Interest
1993 – 2013	52	\$ 295,411,350	\$ 6,682,697
2014 – 2016	6	174,124,574	49,581,718
		<u>\$ 469,535,924</u>	<u>\$ 56,264,415</u>

#### Defeasance Transactions

In July 1991, the Board of Trustees of the District approved a plan of defeasance for the Series 1984 Bonds and the 1984 trust agreement. Under the defeasance plan, the District irrevocably transferred to and deposited with the trustee for the Series 1984 Bonds \$20,602,500 in internally generated funds, which together with amounts held by the trustee in the debt service fund, debt service reserve fund and invested sinking fund under the 1984 trust agreement, were applied to the purchase of eligible securities that are sufficient, under the terms of the 1984 trust agreement, to pay the principal of, and interest, and any redemption premium on, the Series 1984 Bonds. The Series 1984 Bonds are deemed paid and discharged and no longer outstanding under the 1984 trust agreement, and the 1984 trust agreement is defeased. The foregoing defeasance of the Series 1984 Bonds was consummated on July 22, 1991.

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations (continued)**

In August 1991, the District issued its Wastewater Improvement Revenue Bonds, Series 1991, in the aggregate principal amount of \$122,315,000 to finance all or a portion of the costs of various components of the District's on-going capital improvements program, to fund the Debt Service Reserve Requirement and to pay the costs of issuance of the Series 1991 Bonds.

In September 1995, the District issued its Wastewater Improvement Revenue Refunding Bonds, Series 1995 (the "1995 Series Bonds"), in the aggregate principal amount of \$97,830,000 for the purpose of advance refunding its 1991 Series Bonds, issued under a Trust Agreement then outstanding in the aggregate principal amount of \$112,690,000. Through the issuance of the 1995 Series Bonds, the deposit of net proceeds together with certain monies of the District into the Escrow Account, the District caused the 1991 Series Bonds and the 1991 Trust Agreement to be deemed paid and discharged and no longer outstanding. As of December 31, 2005, outstanding Series 1995 Bonds totaled \$64,165,000. A deposit of the net proceeds of the 2005 Series Bonds together with certain monies of the District into the Escrow Account caused the 1995 Series Bonds to be deemed paid and discharged.

In 2005, the District issued \$68,280,000 in Wastewater Improvement Revenue Refunding bonds, Series 2005 to advance refund and defease the Series 1995 Wastewater Improvement Refunding Bonds of \$64,165,000. 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 1995 wastewater improvement bonds. As a result, the 1995 wastewater improvement bonds are considered defeased. As of December 31, 2014, \$14,630,000 of the defeased debt remained outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$3,413,626. This difference, reported in the accompanying statements of net position as a deduction from long-term debt, is being charged to operations through the year 2016 using the weighted average method. The unamortized balance of the deferred charge on refunding totaled \$138,969 at December 31, 2014 and \$256,027 at December 31, 2013. The Series 2005 Bonds are not subject to redemption at the option of the District prior to their stated maturity.

In 2014, the District issued \$68,460,000 in Wastewater Improvement Revenue Refunding bonds (2014B) to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued on May 22, 2007 of \$72,940,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the refunded portion of the series 2007 wastewater improvement bonds. As a result, the portion of the 2007 wastewater improvement bonds is considered defeased. As of December 31, 2014, \$68,460,000 of the portion of refunded debt remained outstanding.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations (continued)**

Future Debt Service Requirements

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

The total future debt service requirements for all long-term debt not defeased or refunded as of December 31, 2014 follows:

	Wastewater Improvement Revenue Refunding Bonds Series 2005		Wastewater Improvement Revenue Bonds Series 2007	
	Principal	Interest	Principal	Interest
2015	\$ 6,495,000	\$ 1,022,250	\$ 2,755,000	\$ 1,702,325
2016	13,950,000	697,500	2,890,000	1,564,575
2017	-	-	3,035,000	1,420,075
2018	-	-	-	1,268,325
2019	-	-	-	1,268,325
2020-2024	-	-	-	6,341,625
2025-2029	-	-	-	6,341,625
2030-2034	-	-	6,585,000	6,341,625
2035-2039	-	-	21,600,000	1,972,575
	<u>\$ 20,445,000</u>	<u>\$ 1,719,750</u>	<u>\$ 36,865,000</u>	<u>\$ 28,221,075</u>

	Wastewater Improvement Revenue Bonds Series 2010		Wastewater Improvement Revenue Bonds Series 2013	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 13,397,895	\$ -	\$ 6,085,950
2016	-	13,397,895	-	12,171,900
2017	-	13,397,895	-	12,171,900
2018	-	13,397,895	-	12,171,900
2019	-	13,397,895	-	12,171,900
2020-2024	-	66,989,475	12,350,000	59,660,800
2025-2029	35,925,000	65,665,127	23,390,000	56,486,750
2030-2034	96,675,000	54,239,074	37,445,000	49,694,000
2035-2039	164,180,000	29,745,487	71,880,000	38,398,250
2040-2044	40,150,000	1,637,707	104,470,000	13,528,500
	<u>\$ 336,930,000</u>	<u>\$ 285,266,345</u>	<u>\$ 249,535,000</u>	<u>\$ 272,541,850</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations (continued)**

	Wastewater Improvement Revenue Bonds Series 2014A		Wastewater Improvement Revenue Refunding Bonds Series 2014B	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 8,091,263	\$ -	\$ 2,911,401
2016	-	16,182,525	-	3,205,212
2017	14,000,000	16,182,525	-	3,205,212
2018	3,985,000	15,500,025	3,020,000	3,205,213
2019	3,000,000	15,300,775	3,155,000	3,054,213
2020-2024	-	75,753,875	17,750,000	13,298,000
2025-2029	7,390,000	75,222,125	22,335,000	8,714,250
2030-2034	15,565,000	72,519,625	22,200,000	2,639,400
2035-2039	25,860,000	67,849,250	-	-
2040-2044	73,805,000	59,257,000	-	-
2045-2049	206,965,000	28,023,800	-	-
	<u>\$ 350,570,000</u>	<u>\$449,882,788</u>	<u>\$ 68,460,000</u>	<u>\$ 40,232,901</u>

	Water Pollution Control Loans		Total Future Debt Service Requirements	
	Principal	Interest	Principal	Interest
2015	\$ 35,531,413	\$ 13,029,970	\$ 44,781,413	\$ 46,241,054
2016	36,407,450	14,155,513	53,247,450	61,375,120
2017	34,207,220	13,457,071	51,242,220	59,834,678
2018	33,757,775	12,197,234	40,762,775	57,740,592
2019	33,442,726	10,935,601	39,597,726	56,128,709
2020-2024	144,316,559	38,072,786	174,416,559	260,116,561
2025-2029	90,070,504	16,558,550	179,110,504	228,988,427
2030-2034	54,997,219	5,221,395	233,467,219	190,655,119
2035-2039	6,805,058	186,178	290,325,058	138,151,740
2040-2044	-	-	218,425,000	74,423,207
2045-2049	-	-	206,965,000	28,023,800
	<u>\$ 469,535,924</u>	<u>\$123,814,298</u>	<u>\$ 1,532,340,924</u>	<u>\$ 1,201,679,007</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

### **Note 6: Long-Term Obligations (continued)**

Bond premium activity for the year:

<u>December 31, 2014</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium, Series 2005	\$ 242,140	\$ (111,373)	\$ -	\$ -	\$ 130,767
Bond Premium, Series 2007	1,755,162	(146,874)	(1,017,159)	-	591,129
Bond Premium, Series 2013	31,267,389	(3,015,682)	-	-	28,251,707
Bond Premium, Series 2014A	-	(134,613)	-	33,250,647	33,116,034
Bond Premium, Series 2014B	-	(74,667)	-	11,999,491	11,924,824
Total	<u>\$ 33,264,691</u>	<u>\$ (3,483,209)</u>	<u>\$ (1,017,159)</u>	<u>\$ 45,250,138</u>	<u>\$ 74,014,461</u>

<u>December 31, 2013</u>	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium, Series 2005	\$ 385,776	\$ (143,636)	\$ -	\$ -	\$ 242,140
Bond Premium, Series 2007	1,912,950	(157,788)	-	-	1,755,162
Bond Premium, Series 2013	-	(1,932,376)	-	33,199,765	31,267,389
Total	<u>\$ 2,298,726</u>	<u>\$ (2,233,800)</u>	<u>\$ -</u>	<u>\$ 33,199,765</u>	<u>\$ 33,264,691</u>

Long-term debt activity for the year:

<u>December 31, 2014</u>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in 2015
Wastewater Improvement Revenue Refunding Bonds, Series 2005	\$ 26,635,000	\$ -	\$ (6,190,000)	\$ 20,445,000	\$ 6,495,000
Wastewater Improvement Revenue Bonds, Series 2007	112,430,000	-	(75,565,000)	36,865,000	2,755,000
Wastewater Improvement Revenue Bonds, Series 2010	336,930,000	-	-	336,930,000	-
Wastewater Improvement Revenue Bonds, Series 2013	249,535,000	-	-	249,535,000	-
Wastewater Improvement Revenue Bonds, Series 2014A	-	350,570,000	-	350,570,000	-
Wastewater Improvement Revenue Refunding Bonds, Series 2014B	-	68,460,000	-	68,460,000	-
Water Pollution Control Loans	468,816,156	35,634,687	(34,914,919)	469,535,924	35,531,413
Total	<u>\$ 1,194,346,156</u>	<u>\$ 454,664,687</u>	<u>\$ (116,669,919)</u>	<u>\$ 1,532,340,924</u>	<u>\$ 44,781,413</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

**December 31, 2014 and 2013**

**Note 6: Long-Term Obligations (continued)**

<u>December 31, 2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Wastewater Improvement Revenue Refunding Bonds, Series 2005	\$ 32,525,000	\$ -	\$ (5,890,000)	\$ 26,635,000
Wastewater Improvement Revenue Bonds, Series 2007	114,930,000	-	(2,500,000)	112,430,000
Wastewater Improvement Revenue Bonds, Series 2010	336,930,000	-	-	336,930,000
Wastewater Improvement Revenue Bonds, Series 2013	-	249,535,000	-	249,535,000
Water Pollution Control Loans	470,470,958	34,330,049	(35,984,851)	468,816,156
Total	<u>\$ 954,855,958</u>	<u>\$ 283,865,049</u>	<u>\$ (44,374,851)</u>	<u>\$ 1,194,346,156</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 7: Pension Plans

#### Ohio Public Employees Retirement System

##### Plan Description

The District contributes to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20.0% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, 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.

##### Funding Policy

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. District members were required to contribute 10.0% of their annual earnable salary to fund pension obligations in 2014. The 2014 employer contribution rate for the District was 14.0% of earnable salary. The District's contributions to the OPERS for the years ended December 31, 2014, 2013 and 2012 were \$6,551,966, \$6,163,542, and \$5,901,080, respectively. For 2014, 83.0% has been contributed with the balance being reported as a payable. The full amount has been contributed for 2013 and 2012.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 8: Post-Employment Benefits

#### Ohio Public Employees Retirement System

##### Plan Description

OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided 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/investments/cafr.shtml>, 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.

##### Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For the District's employer units, the 2014 contribution rate was 14.0% of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of earnable salary for District employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2.0% during the calendar year 2014.



# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 8: Post-Employment Benefits (continued)

The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during the calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the Health Care Plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

#### District Contributions

The District's contributions to fund post-employment health care benefits for the years ended December 31, 2014, 2013 and 2012 are as follows:

	Contribution Rate as a % of earnable salaries	<u>2014</u>	Contribution Rate as a % of earnable salaries	<u>2013</u>	Contribution Rate as a % of earnable salaries	<u>2012</u>
By Statutory Authority	14.00%	\$6,551,966	14.00%	\$6,163,542	14.00%	\$5,901,080
Less Health Care Portion	2.00%	<u>(935,621)</u>	1.00%	<u>(440,253)</u>	4.00%	<u>(1,686,023)</u>
Required-Employer Contribution		<u>\$5,616,345</u>		<u>\$5,723,289</u>		<u>\$4,215,057</u>

For 2014, 83.0% has been contributed with the balance being reported as a payable. The full amount has been contributed for 2013 and 2012.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 9: Deferred Compensation Plans

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

The District follows the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans". In accordance with the provisions of GASB Statement No. 32, at both December 31, 2014 and 2013, the assets of both plans met the applicable trust requirements and are therefore excluded from the District's financial statements.

### Note 10: Risk Management

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

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

		Beginning Balance	Claims Paid		Increase in Estimate		Ending Balance
2013	\$	91,407	(13,571)	\$	33,447	\$	111,283
2014		111,283	(40,184)		88,950		160,049

Estimated liabilities are not material with respect to the financial position of the District. The claims liability is included in other accrued liabilities in the accompanying statements of net position and the balance as of December 31, 2014 is estimated to be paid during the year ending December 31, 2015. The District's insurance reserve as of December 31, 2014 and 2013 was \$22,718,194 and \$22,700,745, respectively, and is included in short-term investments on the District's statements of net position.

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 11: Commitments and Contingencies**

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

In August 2009, the Board of Trustees approved to enter into a Project and Financing Agreement with the City of Pepper Pike for a maximum loan amount of \$1,715,000 at a simple interest rate of 3.5%. As of December 31, 2014 and 2013, \$1,408,567 is included in the receivables from Federal, State and other agencies on the accompanying statements of net position. The parties entered into a revised, “interest-free” repayment agreement, to repay the loan over a five-year period.

#### **Combined Sewer Overflows Long-Term Control Plan**

The District finalized Consent Decree negotiations with the Ohio EPA and U.S. EPA, U.S. Department of Justice, and the Ohio Attorney General’s Office. The Board of Trustees authorized the signature of the Consent Decree and it was lodged with the U.S. District Court in December 2010. The Consent Decree was approved by the Court on July 7, 2011.

Implementation of the Combined Sewer Overflows (CSO) Long-Term Control Plan under the Consent Decree began 30 days after approval by the U.S. District Court, although the District had already begun work on certain projects required under the Consent Decree. Funding for those projects is included in the District’s existing capital plan. The District currently estimates the costs for implementing the CSO capital improvement program to be approximately \$3 billion in 2009 dollars. These expenditures constitute a “high burden” on District ratepayers, and based upon the estimated costs of the program and high burden status, the District received a 25-year implementation schedule.

Upon approval of the Consent Decree, the District paid civil penalties to the United States and State of Ohio in cash in the amount of \$1.2 million. To mitigate additional civil penalties, the District implemented a federal Supplemental Environmental Project (SEP) in the amount of \$1 million to provide for the collection and disposal of household hazardous waste. In 2010, the District entered into an agreement with the Cuyahoga County Solid Waste Management District to satisfy the federal SEP obligation. As such, the District has recorded \$499,041 and \$640,901 as other accrued liabilities on the accompanying statements of net position as of December 31, 2014 and 2013, respectively. In addition, the District is obligated to implement a State SEP known as the Canal Pump Station Operation and Maintenance Project, estimated at \$800,000, or implement an Alternate SEP by making a cash payment of \$800,000 to Ohio EPA. As of December 31, 2014, the District has recorded \$800,000 as part of the long-term accrued liabilities to recognize this obligation pending final decision from Ohio EPA.

#### **Travelers Casualty and Surety Company of America Litigation**

Based upon the criminal information and plea agreement documents filed with the U.S. District Court in the matter regarding former General Counsel William B. Schatz, who pleaded guilty to charges of bribery, theft, embezzlement, and tax fraud in connection with the District’s Mill Creek Tunnel-2 and -3 contracts, the District filed a proof of loss with its insurance carrier, Travelers Casualty and Surety Company of America (Travelers), under various policies of crime and fidelity insurance, for claims relating to the District’s financial losses. Travelers denied the District’s claim, and on February 21, 2013, the District filed a complaint against Travelers seeking damages in the amount of \$7,265,280. The matter was settled on May 21, 2015 with the Board of Trustees accepting Travelers’ offer of \$4.2 million in full settlement of all claims.

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 11: Commitments and Contingencies (continued)**

#### **Regional Stormwater Management Program Litigation**

On January 7, 2010, the Board of Trustees adopted a new Stormwater Code of Regulations and authorized implementation of the Regional Stormwater Management Program (hereinafter “SMP”) with respect to all member communities served by the District, including member communities outside of Cuyahoga County. On the same day, the District filed a Complaint for Declaratory Relief or, in the alternative, a Petition for Order Permitting Amendment of the District’s Plan of Operation in Cuyahoga County Court of Common Pleas asking for a judgment declaring that the District has authority to fully implement its SMP. Twelve (12) Cuyahoga County communities, along with eight (8) Summit County communities formed an Opposition Group seeking to enjoin the District from implementing the SMP and assessing stormwater fees before the court determines the District’s authority. In addition, several business associations, the Cleveland Catholic Diocese, and the Cleveland Municipal School District were granted permission to intervene in the litigation in opposition to the SMP.

In a companion case filed on December 30, 2009, Summit County and eight (8) Summit County member communities filed a Declaratory Judgment and Permanent Injunction Action against the District in Summit County Court of Common Pleas asking for a judgment declaring the District lacks authority and jurisdiction over Summit County property owners to impose a stormwater management program and to assess fees, and a preliminary and permanent injunction to enjoin the District from creating a stormwater management program and assessing fees on Summit County property owners. The District filed motions to dismiss the complaint or transfer venue to the Cuyahoga County court.

On May 11, 2011 the Court, in granting the District’s motion for partial summary judgment, ruled that O.R.C. Chapter 6119 authorizes the District to address intercommunity flooding, erosion and stormwater-related water quality issues. Subsequently, on February 15, 2012, after three weeks of trial on the legality of the District’s stormwater fee, the Court again ruled in favor of the District in an interim Opinion that the District’s stormwater fee is authorized under O.R.C. Chapter 6119 and is not an unlawful imposition of a tax. The Court scheduled a final hearing on March 19, 2012 to resolve all pending issues; however, upon issuance of the February 15, 2012 Opinion, several opposition parties filed appeals. The District’s motions to dismiss the appeals and subsequent motions for reconsideration were granted for lack of a final appealable order. After a post-trial hearing, the Court issued its final order on June 28, 2012 confirming the District’s stormwater fee was authorized under O.R.C. Chapter 6119.

In the interim, the District engaged in extensive non-binding mediations facilitated by both the Cuyahoga County Executive’s Office and the Court. At this time, the District has executed settlement agreements with the Cleveland Catholic Diocese and the Cleveland Municipal School District. Subsequently, the District reached settlement with the Summit County member communities, resulting in the dismissal of the litigation filed in Summit County. The District also settled issues with the City of North Royalton, the City of Olmsted Falls, and the City of Cleveland Heights.

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 11: Commitments and Contingencies (continued)**

In July 2012, appeals were filed by eleven (11) member communities and the intervening Greater Cleveland Association of Building Owners. On September 26, 2013, the Eighth Appellate District Court issued an opinion adverse to the District finding the District had no authority under Ohio R.C. Chapter 6119 or its Charter to enact its Regional Stormwater Management Program and a stormwater fee, and was enjoined from carrying out its program.

The District filed a notice of appeal from the Eighth Appellate District's opinion in the Supreme Court of Ohio on November 12, 2013. The Supreme Court of Ohio accepted jurisdiction on February 19, 2014. Amicus briefs in support of the District were filed by a group of 18 supporting member communities, the City of Cleveland, The Cleveland Metropolitan Park District, The National Association of Clean Water Agencies, the Association of Ohio Metropolitan Wastewater Agencies, the Coalition of Ohio Regional Districts, and the State of Ohio. Oral arguments were heard on September 9, 2014, and as of this date, the District is waiting for a ruling from the Supreme Court of Ohio.

#### **Mel Murphy vs. Northeast Ohio Regional Sewer District**

After the Appellate Court's ruling on September 26, 2013, the District entered into an Escrow Agreement with Huntington National Bank and deposited all stormwater fees collected as of the date of the ruling into an interest bearing escrow account where the funds will remain pending the outcome of the appeal to the Supreme Court of Ohio. On October 2, 2013, a class action suit was filed with a motion for class certification. The Plaintiff asserted the stormwater funds should be transferred to a Court administered account to manage the refund of the stormwater fees should the Supreme Court of Ohio uphold the Eighth District Appellate Court ruling and find the District had no authority to implement its Regional Stormwater Management Program. After a hearing on December 18, 2013, the Court denied the Plaintiff's motion for class certification. All funds collected remain in the escrow account with Huntington National Bank.

#### **Other Litigation**

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

# **NORTHEAST OHIO REGIONAL SEWER DISTRICT**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

### **Note 12: Changes in Accounting Principles**

In June 2012, the GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.” The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The District has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

In January 2013, the GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations.” The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013. The implementation of this Statement did not affect the presentation of the financial statements of the District.

In April 2013, the GASB issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013. The implementation of this Statement did not affect the presentation of the financial statements of the District.

In November 2013, the GASB issued Statement No. 71, “Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.” The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The District has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

In February 2015, the GASB issued Statement No. 72, “Fair Value Measurement and Application.” The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 13: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the District uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. U.S. Government Obligations, Fixed Income Securities, and the Revenue Debt Service Fund 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, 2014 consisted of the following:

	Level 1	Level 2	Level 3	Total at 12/31/2014
<u>Cash &amp; Cash Equivalents</u>				
Money Market and Savings	\$ 145,928,422	\$ -	\$ -	\$ 145,928,422
<u>Bond Proceeds</u>				
Money Market Funds	387,232,607	-	-	387,232,607
Fixed Income Securities	-	25,209,343	-	25,209,343
<u>Stormwater Escrow Fund</u>				
Money Market Funds	-	235,657	-	235,657
Fixed Income Securities	-	20,709,301	-	20,709,301
<u>Short -Term Investments</u>				
Money Market Funds	6,148,368	-	-	6,148,368
CDs	2,815,325	-	-	2,815,325
Fixed Income Securities	-	26,127,785	-	26,127,785
<u>Long-Term Investments</u>				
Fixed Income Securities	-	38,221,557	-	38,221,557
U.S. Gov't Obligations	-	10,005,178	-	10,005,178
<u>Revenue Debt Service Fund</u>				
Money Market Funds	-	14,013,593	-	14,013,593
Fixed Income Securities	-	15,272,276	-	15,272,276
	<u>\$ 542,124,722</u>	<u>\$ 149,794,690</u>	<u>\$ -</u>	<u>\$ 691,919,412</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Notes to Financial Statements

December 31, 2014 and 2013

### Note 13: Fair Value Measurements (continued)

Financial assets at December 31, 2013 consisted of the following:

	Level 1	Level 2	Level 3	Total at 12/31/2013
<u>Cash &amp; Cash Equivalents</u>				
Money Market and Savings	\$ 79,081,040	\$ -	\$ -	\$ 79,081,040
<u>Bond Proceeds</u>				
Money Market Funds	188,240,231	-	-	188,240,231
<u>Stormwater Escrow Fund</u>				
Money Market Funds	581,253	-	-	581,253
Fixed Income Securities	-	18,750,034	-	18,750,034
U.S. Gov't Obligations	-	1,513,845	-	1,513,845
<u>Short -Term Investments</u>				
Money Market Funds	2,230,473	-	-	2,230,473
CDs	3,027,606	-	-	3,027,606
Fixed Income Securities	-	55,838,269	-	55,838,269
<u>Long-Term Investments</u>				
Fixed Income Securities	-	49,423,105	-	49,423,105
<u>Revenue Debt Service Fund</u>				
Money Market Funds	1,434,523	-	-	1,434,523
Fixed Income Securities	-	15,273,455	-	15,273,455
U.S. Gov't Obligations	-	11,845,192	-	11,845,192
	<u>\$ 274,595,126</u>	<u>\$ 152,643,900</u>	<u>\$ -</u>	<u>\$ 427,239,026</u>



# 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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues:</u></b>				
User Charges:				
Billed	\$ 210,812,926	\$ 210,812,926	\$ 235,858,386	\$ 25,045,460
Unbilled	3,664,644	3,664,644	2,448,734	(1,215,910)
Other Revenue	1,089,741	1,089,741	878,279	(211,462)
 Total Revenues	 215,567,311	 215,567,311	 239,185,399	 23,618,088
 <b><u>Expenses:</u></b>				
Salary and Wages	47,139,110	47,139,110	46,226,508	912,602
Fringe Benefits	15,422,239	15,422,239	14,610,845	811,394
Power	9,682,853	9,682,853	10,247,703	(564,850)
Materials and Supplies	5,083,116	5,083,116	4,882,158	200,958
Collection Fees	7,747,700	7,747,700	7,753,358	(5,658)
Gas	3,934,692	3,934,692	2,710,438	1,224,254
Chemicals	4,018,592	4,018,592	3,152,662	865,930
Repairs and Maintenance	2,869,607	2,869,607	3,310,824	(441,217)
Solids Handling	7,487,606	7,487,606	2,315,896	5,171,710
Water	1,318,529	1,318,529	1,096,667	221,862
Professional Services	4,732,883	4,732,883	6,468,485	(1,735,602)
Insurance	847,500	847,500	858,861	(11,361)
Judgements and Awards	65,000	65,000	403,005	(338,005)
Other Operating Expenses	7,019,846	7,019,846	7,537,881	(518,035)
Capitalized Construction Costs	(8,000,000)	(8,000,000)	(9,376,809)	1,376,809
Depreciation	54,732,990	54,732,990	57,171,918	(2,438,928)
 Total Operating Expenses	 164,102,263	 164,102,263	 159,370,400	 4,731,863
 Excess of Revenues Over				
Operating Expenses	<u>\$ 51,465,048</u>	<u>\$ 51,465,048</u>	<u>\$ 79,814,999</u>	<u>\$ 28,349,951</u>

# NORTHEAST OHIO REGIONAL SEWER DISTRICT

## Supplementary Information

### Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual (Continued)

For the year ended December 31, 2014

Reconciliation to Change in Net Position:

Excess of Operating Revenues Over Operating Expenses	\$	79,814,999
Interest Revenue		993,560
Increase in Fair Value of Investments, Net		295,828
Non-Operating Grant Revenue		1,304,233
Non-Operating Grant Expenses		(4,259,001)
Loss on Disposals of Equipment		(3,913,066)
Interest on Long-Term Debt		(59,922,594)
Federal Subsidy Revenue		<u>6,438,149</u>
Change in Net Position		20,752,108
Net Position at Beginning of Year		<u>1,316,327,734</u>
Net Position at End of Year	\$	<u><u>1,337,079,842</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, 2014**

### **Note 1: Summary of Significant Accounting Policies**

#### **Budgetary Basis of Accounting**

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

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

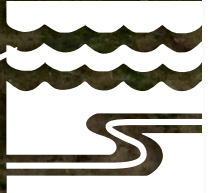
The annual Capital Plan outlines estimated cost by project. These projects are already authorized or to be considered by the Board of Trustees. Approval of the budgets by the Board of Trustees does not in itself authorize expenses for operations and maintenance or expenditures for capital projects. Requests for capital project expenditures must be approved by the Board of Trustees and/or the Chief Executive Officer, as appropriate, and require certification of available funds by the Chief Financial Officer. Board approval is required for all operating and capital purchases of goods and services in excess of \$50,000. All budget appropriations lapse on December 31 of each year.



# STATISTICAL

*section*

UNAUDITED





## STATISTICAL SECTION (UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand the District's financial performance and well-being and how they have changed over time.</i>	60
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant revenue source, user charges.</i>	64
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	72
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	74
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	76
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>	84

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

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

	<u>2014</u>	<u>2013</u>	<u>Restated 2012 (**)</u>	<u>Restated 2011 (**)</u>
Net Investment in Capital Assets	\$ 1,018,734,360	\$ 1,067,650,046	\$ 1,065,405,939	\$ 1,055,247,281
Unrestricted	<u>318,345,482</u>	<u>248,677,688</u>	<u>235,652,225</u>	<u>238,611,550</u>
Total	<u>\$ 1,337,079,842</u>	<u>\$ 1,316,327,734</u>	<u>\$ 1,301,058,164</u>	<u>\$ 1,293,858,831</u>

Note:

(\*) 2006 and 2007 restated to comply with GASB 51.

(\*\*) 2012, 2011 restated to comply with GASB 65.

Source: District accounting records.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007 (*)</u>	<u>2006 (*)</u>	<u>2005</u>
\$ 1,038,270,319	\$ 1,006,102,174	\$ 995,487,741	\$ 978,861,950	\$ 980,197,219	\$ 937,597,258
<u>251,770,264</u>	<u>273,486,822</u>	<u>280,572,507</u>	<u>281,436,951</u>	<u>259,740,301</u>	<u>285,112,392</u>
<u><u>\$ 1,290,040,583</u></u>	<u><u>\$ 1,279,588,996</u></u>	<u><u>\$ 1,276,060,248</u></u>	<u><u>\$ 1,260,298,901</u></u>	<u><u>\$ 1,239,937,520</u></u>	<u><u>\$ 1,222,709,650</u></u>

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

	2014	2013	2012 (5)	2011 (5)
<u>Operating Revenues, Net</u>				
Billing Agents	\$ 220,621,174	\$ 192,601,300	\$ 171,056,663	\$ 155,342,800
Direct Billed	17,685,946	16,227,994	14,832,256	16,275,002
Other (1)	878,279	960,830	1,352,457	1,104,565
Total Operating Revenues, Net	<u>239,185,399</u>	<u>209,790,124</u>	<u>187,241,376</u>	<u>172,722,367</u>
<u>Operating Expenses</u>				
Salaries and Wages	46,226,508	43,889,545	41,255,137	39,190,544
Fringe Benefits	14,610,845	14,203,943	13,657,026	12,939,019
Utilities	15,267,723	14,898,125	13,979,812	15,511,558
Professional and Contractual Services	22,286,370	24,747,308	21,827,170	18,766,341
Other (1)	3,807,036	2,155,767	3,387,828	3,907,002
Depreciation	57,171,918	50,179,846	51,187,381	47,271,807
Total Operating Expenses	<u>159,370,400</u>	<u>150,074,534</u>	<u>145,294,354</u>	<u>137,586,271</u>
Operating Income	79,814,999	59,715,590	41,947,022	35,136,096
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	993,560	1,879,311	2,827,947	3,825,074
Increase (Decrease) in Fair Value of Investments	295,828	(417,004)	(888,925)	(150,665)
Non-Operating Grant Revenue (1)	1,304,233	1,383,517	758,941	676,833
Non-Operating Grant Expenses (1)	(4,259,001)	(1,520,478)	(758,941)	(676,833)
Other Non-Operating (Expenses) Revenues (2)	-	-	-	-
Proceeds on Insurance Claims (3)	-	-	792,245	621,938
Loss on Disposals of Equipment	(3,913,066)	(340,588)	(622,504)	(1,020,704)
Loss on Extraordinary Event	-	-	-	(1,188,489)
Interest on Long-Term Debt	(59,922,594)	(51,757,865)	(44,717,920)	(43,019,109)
Federal Subsidy Revenue (4)	6,438,149	6,327,087	6,941,401	6,912,478
Total Non-Operating Revenues (Expenses)	<u>(59,062,891)</u>	<u>(44,446,020)</u>	<u>(35,667,756)</u>	<u>(34,019,477)</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>920,067</u>	<u>6,161,822</u>
Change in Net Position	<u>\$ 20,752,108</u>	<u>\$ 15,269,570</u>	<u>\$ 7,199,333</u>	<u>\$ 7,278,441</u>

(1) Beginning in 2007 Reclassified Non-Operating Grant Revenue and Expenses.

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

(3) Proceeds from the flood at the Southerly WWTP.

(4) Beginning in 2010 Reclassified Build America Bonds Subsidy. Refer to Note 6.

(5) Restated to comply with GASB 65.

Source: District accounting records.



2010	2009	2008	2007	2006	2005
\$ 150,703,554	\$ 151,132,069	\$ 147,605,404	\$ 145,221,599	\$ 135,732,973	\$ 131,938,350
14,663,082	12,697,756	13,832,074	13,062,958	13,220,817	12,623,945
1,484,110	946,537	833,463	769,744	1,200,272	734,253
<u>166,850,746</u>	<u>164,776,362</u>	<u>162,270,941</u>	<u>159,054,301</u>	<u>150,154,062</u>	<u>145,296,548</u>
38,061,309	37,024,254	35,102,015	33,724,279	33,021,551	31,283,367
12,747,900	11,714,646	11,493,925	10,732,240	11,225,384	10,944,618
16,042,200	18,924,173	20,632,885	18,893,296	17,814,509	17,595,315
23,034,225	17,696,366	18,727,176	14,808,434	14,076,004	13,389,541
7,392,509	8,194,326	5,757,037	7,046,216	6,917,693	5,566,881
46,061,584	45,410,351	44,448,564	43,261,151	40,093,478	35,968,351
<u>143,339,727</u>	<u>138,964,116</u>	<u>136,161,602</u>	<u>128,465,616</u>	<u>123,148,619</u>	<u>114,748,073</u>
23,511,019	25,812,246	26,109,339	30,588,685	27,005,443	30,548,475
3,292,522	7,240,399	11,714,888	12,417,477	8,645,525	8,816,261
(19,034)	(3,874,343)	2,332,208	3,157,199	1,774,960	(3,190,247)
1,731,894	1,430,784	1,592,151	35,430	-	-
(1,731,894)	(1,430,784)	(1,204,204)	(940,016)	-	-
-	(3,000,000)	-	-	-	-
-	-	-	-	-	-
(45,657)	(2,013,698)	(180,689)	(468,601)	(4,216,914)	(776,203)
-	-	-	-	-	-
(26,583,173)	(24,598,935)	(24,602,346)	(24,428,793)	(20,641,227)	(19,821,947)
858,034	-	-	-	-	-
<u>(22,497,308)</u>	<u>(26,246,577)</u>	<u>(10,347,992)</u>	<u>(10,227,304)</u>	<u>(14,437,656)</u>	<u>(14,972,136)</u>
<u>9,437,876</u>	<u>3,963,079</u>	<u>-</u>	<u>-</u>	<u>6,359,637</u>	<u>45,133</u>
<u>\$ 10,451,587</u>	<u>\$ 3,528,748</u>	<u>\$ 15,761,347</u>	<u>\$ 20,361,381</u>	<u>\$ 18,927,424</u>	<u>\$ 15,621,472</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating Revenues, Net</u>				
Sewer Service Fees				
City of Cleveland Billing Agent	\$ 206,720,248	\$ 179,391,021	\$ 159,114,027	\$ 144,326,900
Other Billing Agents	13,900,926	13,210,279	11,942,636	11,015,900
Other Sewer Service Fees	17,685,946	16,227,994	14,832,256	16,275,002
Other Operating Revenue	<u>878,279</u>	<u>960,830</u>	<u>1,352,457</u>	<u>1,104,565</u>
Total Operating Revenues, Net	239,185,399	209,790,124	187,241,376	172,722,367
<u>Non-Operating Revenues</u>				
Interest Revenue	993,560	1,879,311	2,827,947	3,825,074
Increase (Decrease) in Fair Value of Investments	295,828	(417,004)	(888,925)	(150,665)
Proceeds from Insurance Claim (1)	-	-	792,245	621,938
Federal Subsidy Revenue (2)	6,438,149	6,327,087	6,941,401	6,912,478
Non-Operating Grant Revenue (3)	<u>1,304,233</u>	<u>1,383,517</u>	<u>758,941</u>	<u>676,833</u>
Total Non-Operating Revenues (3)	9,031,770	9,172,911	10,431,609	11,885,658
Capital Contributions	<u>-</u>	<u>-</u>	<u>920,067</u>	<u>6,161,822</u>
Total Revenues	<u>\$ 248,217,169</u>	<u>\$ 218,963,035</u>	<u>\$ 198,593,052</u>	<u>\$ 190,769,847</u>

(1) Proceeds from Southerly Flood event.

(2) Beginning in 2010 Reclassified Build America Bonds Subsidy. Refer to Note 6.

(3) Beginning in 2007 Reclassified Non-Operating Grant Revenue.

Source: District accounting records.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 140,059,765	\$ 141,082,193	\$ 137,760,081	\$ 135,185,688	\$ 123,897,778	\$ 120,578,807
10,643,789	10,049,876	9,845,323	10,035,911	11,835,195	11,359,543
14,663,082	12,697,756	13,832,074	13,062,958	13,220,817	12,623,945
<u>1,484,110</u>	<u>946,537</u>	<u>833,463</u>	<u>769,744</u>	<u>1,200,272</u>	<u>734,253</u>
166,850,746	164,776,362	162,270,941	159,054,301	150,154,062	145,296,548
3,292,522	7,240,399	11,714,888	12,417,477	8,645,525	8,816,261
(19,034)	(3,874,343)	2,332,208	3,157,199	1,774,960	(3,190,247)
-	-	-	-	-	-
858,034	-	-	-	-	-
<u>1,731,894</u>	<u>1,430,784</u>	<u>1,592,151</u>	<u>35,430</u>	<u>-</u>	<u>-</u>
5,863,416	4,796,840	15,639,247	15,610,106	10,420,485	5,626,014
<u>9,437,876</u>	<u>3,963,079</u>	<u>-</u>	<u>-</u>	<u>6,359,637</u>	<u>45,133</u>
<u><u>\$ 182,152,038</u></u>	<u><u>\$ 173,536,281</u></u>	<u><u>\$ 177,910,188</u></u>	<u><u>\$ 174,664,407</u></u>	<u><u>\$ 166,934,184</u></u>	<u><u>\$ 150,967,695</u></u>

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

	2014	2013	2012	2011
Salaries and Wages	\$ 46,226,508	\$ 43,889,545	\$ 41,255,137	\$ 39,190,544
Fringe Benefits	14,610,845	14,203,943	13,657,026	12,939,019
Power	10,247,703	9,400,085	8,068,363	9,258,484
Materials and Supplies	4,882,158	4,075,901	5,056,453	4,564,897
Collection Fees	7,753,358	7,812,254	6,725,143	5,975,072
Gas	2,710,438	3,318,117	3,825,221	4,254,679
Chemicals	3,152,662	1,931,902	1,641,550	1,329,150
Repairs and Maintenance	3,310,824	2,762,386	2,078,341	2,440,310
Solids Handling	2,315,896	1,446,497	1,825,201	847,246
Water	1,096,667	1,260,155	1,191,439	1,147,687
Professional Services	6,468,485	10,553,455	8,917,796	8,407,259
Insurance	858,861	821,442	779,453	1,227,736
All Other Expenses (*)	7,940,886	6,774,159	6,592,367	4,506,935
Capitalized Construction Costs	(9,376,809)	(8,355,153)	(7,506,517)	(5,774,554)
Depreciation	57,171,918	50,179,846	51,187,381	47,271,807
Total Operating Expenses	<u>\$ 159,370,400</u>	<u>\$ 150,074,534</u>	<u>\$ 145,294,354</u>	<u>\$ 137,586,271</u>

(\*) Beginning in 2007, Reclassified Non-Operating Grant Expenses.

Source : District accounting records.

2010	2009	2008	2007	2006	2005
\$ 38,061,309	\$ 37,024,254	\$ 35,102,015	\$ 33,724,279	\$ 33,021,551	\$ 31,283,367
12,747,900	11,714,646	11,493,925	10,732,240	11,225,384	10,944,618
9,879,693	10,591,495	11,101,067	10,087,278	9,698,130	9,612,943
4,729,166	4,190,172	4,261,239	4,498,829	4,467,163	4,136,824
5,805,347	5,725,215	5,435,973	5,558,472	5,577,407	5,344,377
4,292,298	6,600,201	7,801,361	7,094,373	6,411,117	6,311,146
1,293,973	1,615,452	1,268,036	1,523,535	1,419,372	1,156,059
2,901,283	2,362,155	3,036,704	4,008,618	3,109,610	2,649,356
2,190,398	1,831,793	861,768	1,462,056	1,282,171	1,665,083
1,054,989	1,007,356	1,021,701	1,070,362	1,036,930	1,101,448
11,998,519	7,886,179	8,991,475	4,469,991	4,083,289	3,228,625
1,161,822	997,672	1,097,763	1,120,774	1,139,139	1,138,447
5,107,521	5,466,842	3,758,449	3,624,958	4,262,270	3,432,862
(3,946,075)	(3,459,667)	(3,518,438)	(3,771,300)	(3,678,392)	(3,225,433)
46,061,584	45,410,351	44,448,564	43,261,151	40,093,478	35,968,351
<u>\$ 143,339,727</u>	<u>\$ 138,964,116</u>	<u>\$ 136,161,602</u>	<u>\$ 128,465,616</u>	<u>\$ 123,148,619</u>	<u>\$ 114,748,073</u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT  
COMMUNITIES SERVED BY THE DISTRICT AND  
ESTIMATED POPULATION SERVED  
DECEMBER 31, 2014**

<u>Municipality</u>	<u>Estimated Service Population <sup>(1)</sup></u>	<u>Municipality</u>	<u>Estimated Service Population <sup>(1)</sup></u>
<b>SUBDISTRICT 1</b>			
Cleveland City	410,838		
<b>SUBDISTRICT 2</b>		<b>SUBDISTRICT 2</b>	
Bath Township	- <sup>(3)</sup>	Middleburg Heights City	16,463
Beachwood City	14,456	Moreland Hills Village	- <sup>(2)</sup>
Bedford City	- <sup>(3)</sup>	Newburgh Heights Village	2,441
Bedford Heights City	- <sup>(3)</sup>	North Randall Village	749
Berea City	18,130	North Royalton City	7,044 <sup>(2)</sup>
Boston Heights Village	630 <sup>(2)</sup>	Northfield Center Township	4,482
Bratenahl Village	1,254	Northfield Village	3,991
Brecksville City	15,703	Oakwood Village	3,152 <sup>(2)</sup>
Broadview Heights City	20,053 <sup>(2)</sup>	Olmsted Falls City	9,223 <sup>(2)</sup>
Brook Park City	17,577	Olmsted Township	7,484 <sup>(2)</sup>
Brooklyn City	10,949	Orange Village	580 <sup>(2)</sup>
Brooklyn Heights Village	1,693	Parma City	78,613
Cleveland Heights City	42,497	Parma Heights City	21,234
Columbia Township	952 <sup>(2)</sup>	Pepper Pike City	2,084 <sup>(2)</sup>
Cuyahoga Heights Village	434	Richfield Township	1,203 <sup>(2)</sup>
East Cleveland City	16,224	Richfield Village	3,583 <sup>(2)</sup>
Euclid City	1,876 <sup>(2)</sup>	Richmond Heights City	3,919 <sup>(2)</sup>
Garfield Heights City	27,845	Sagamore Hills Township	8,416
Gates Mills Village	313 <sup>(2)</sup>	Seven Hills City	11,182
Glenwillow Village	- <sup>(2)</sup>	Shaker Heights City	25,834
Highland Heights City	11,160	Solon City	174 <sup>(2)</sup>
Highland Hills Village	1,020	South Euclid City	22,094 <sup>(2)</sup>
Hudson City	9,951 <sup>(2)</sup>	Strongsville City	30,528 <sup>(2)</sup>
Independence City	7,936	Twinsburg City	- <sup>(2)</sup>
Lakewood City	- <sup>(3)</sup>	Twinsburg Township	217 <sup>(2)</sup>
Linndale Village	100	University Heights City	12,501
Lyndhurst City	13,489	Valley View Village	2,173
Macedonia City	8,314	Walton Hills Village	2,363
Maple Heights City	23,562	Warrensville Heights City	13,442
Mayfield Heights City	17,865	Willoughby Hills City	- <sup>(3)</sup>
Mayfield Village	3,261		
		Total Subdistrict 2	582,413
<b>Total Estimated Service Population</b>			<b>993,251</b>

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

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

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



**NORTHEAST OHIO REGIONAL SEWER DISTRICT  
LARGEST CUSTOMERS OF THE DISTRICT  
AS OF DECEMBER 31, 2014  
and NINE YEARS PRIOR**

	2014			
	CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
<b><u>SUBDISTRICT 1</u></b>				
Cuyahoga Metropolitan Housing Agency (2)	73,406.2	\$ 4,557,791	1	1.9%
City of Cleveland Water Filtration Plants	36,016.2	2,780,995	2	1.2%
Arcelor Mittal Steel (ISG Cleveland)	26,235.1	1,845,980	3	0.8%
Case Western Reserve University	25,641.9	1,552,653	5	0.6%
University Hospitals	17,531.9	1,063,978	7	0.4%
Cuyahoga County (2)	15,846.4	978,392	8	0.4%
Cleveland Clinic (2)	15,423.3	943,601	9	0.4%
Ferro Corporation (2)	10,197.7	602,685	12	0.3%
Cleveland Board of Education	9,519.9	586,320	13	0.2%
MetroHealth Medical Centers	7,588.9	462,949	14	0.2%
HydroChem (Inland Waters of Ohio)	4,540.3	428,075	15	0.2%
Cleveland State University	6,203.9	381,044	16	0.2%
Sherwin Williams (2)	5,767.2	355,115	18	0.1%
Cleveland Metroparks Zoo	4,685.8	341,637	19	0.1%
Veterans Administration Hospitals (2)	3,296.1	200,758	21	0.1%
Holiday Inn	-	-	-	-
Dominion Cleveland Thermal Energy Corporation	-	-	-	-
General Electric Company	-	-	-	-
Ninth Street - Euclid Ltd	-	-	-	-
Property Management Rental	-	-	-	-
Columbus Road Realty	-	-	-	-
Total Subdistrict 1	261,900.8	17,081,973		7.1%
<b><u>SUBDISTRICT 2</u></b>				
NASA John H Glenn Research Center	25,598.8	1,652,429	4	0.7%
Aluminum Corporation of America	21,726.0	1,393,734	6	0.6%
Forest City Management (2)	11,389.1	723,168	10	0.3%
Ford Motor Corporation	9,774.9	640,972	11	0.3%
Eaton Estates / Nagy Park	5,629.4	377,332	17	0.2%
Charter Steel	5,034.8	325,082	20	0.1%
Brooklyn Acres Homes (2)	2,915.1	189,425	22	0.1%
Zehman and Wolfe Management	2,517.8	158,611	23	0.1%
Cuyahoga County Community College (2)	2,346.3	148,708	24	0.1%
The Pearl Management Company	-	-	-	-
General Motors Corporation	-	-	-	-
Total Subdistrict 2	86,932.2	5,609,461		2.5%
Grand Total	348,833.0	\$ 22,691,434		9.6%

(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.



2005

CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
102,477.7	\$ 3,508,751	1	2.4%
30,325.2	1,090,408	4	0.8%
22,164.6	759,118	11	0.5%
29,801.7	1,014,976	5	0.7%
23,560.9	787,240	10	0.5%
17,889.5	581,690	15	0.4%
59,108.4	2,025,700	2	1.4%
25,561.9	864,225	7	0.6%
25,057.3	856,282	8	0.6%
22,328.7	646,112	14	0.4%
-	-	-	-
9,985.7	347,432	17	0.2%
-	-	-	-
-	-	-	-
9,953.3	297,822	18	0.2%
6,243.0	205,199	20	0.1%
18,272.6	648,826	13	0.4%
5,538.4	190,250	23	0.1%
5,525.2	158,700	25	0.1%
5,894.7	202,493	21	0.1%
11,000.2	373,780	16	0.3%
430,689.0	14,559,004		9.8%
27,617.4	837,474	9	0.6%
30,760.7	933,133	6	0.6%
19,160.4	651,099	12	0.4%
61,477.8	1,921,815	3	1.3%
-	-	-	-
-	-	-	-
-	-	-	-
6,327.6	197,473	22	0.1%
-	-	-	-
6,119.0	186,855	24	0.1%
8,888.3	233,942	19	0.2%
160,351.2	4,961,791		3.3%
591,040.2	\$ 19,520,795		13.1%

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

<b>Debt by Type, In Thousands</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenue Bond Issues				
\$68,280 Series 2005 (A)	\$ 20,445	\$ 26,635	\$ 32,525	\$ 38,190
\$126,055 Series 2007 (B) (F)	36,865	112,430	114,930	117,330
\$336,930 Series 2010 (C)	336,930	336,930	336,930	336,930
\$249,535 Series 2013 (D)	249,535	249,535	-	-
\$350,570 Series 2014A (E)	350,570	-	-	-
\$68,460 Series 2014B (F)	68,460	-	-	-
Total Revenue Bond Issues	1,062,805	725,530	484,385	492,450
Bond Premium	74,014	33,265	2,299	2,646
Total Revenue Bonds	1,136,819	758,795	486,684	495,096
Ohio Water Development Authority Loans	-	-	-	-
Water Pollution Control Loans	469,536	468,816	470,471	478,272
Total All Debt	<u>\$ 1,606,355</u>	<u>\$ 1,227,611</u>	<u>\$ 957,155</u>	<u>\$ 973,368</u>
<b>Number of Customer Accounts (1)</b>	326,558	326,720	326,412	323,567
<b>Outstanding Debt Per Customer Account</b>	\$ 4,919	\$ 3,757	\$ 2,932	\$ 3,008
(1) For this schedule, Number of Customer Accounts is adjusted for Master Meter Communities as follows.*				
Historical Number of Customer Accounts (see pages 84 & 85)	313,024	313,284	313,294	309,820
Less Master Meter Communities	(3)	(3)	(3)	(3)
Add estimated number of customers in Master Meter Communities	13,537	13,439	13,121	13,750
Number of Customer Accounts	<u>326,558</u>	<u>326,720</u>	<u>326,412</u>	<u>323,567</u>

\*The Master Meter Communities bill their customers separately.

Master Meter Communities are Hudson, Richfield Village and Summit County.

Note: This schedule should be read in conjunction with Note 6 to the Audited Financial Statements for December 31, 2014.

(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.

Source: District accounting records.

2010	2009	2008	2007	2006	2005
\$ 43,660	\$ 48,925	\$ 53,985	\$ 58,850	\$ 63,525	\$ 68,280
119,645	121,865	124,000	126,055	-	-
336,930	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
500,235	170,790	177,985	184,905	63,525	68,280
3,046	3,507	4,044	4,684	2,255	2,962
503,281	174,297	182,029	189,589	65,780	71,242
-	-	-	194	573	932
435,356	411,544	417,080	418,262	417,777	387,380
<u>\$ 938,637</u>	<u>\$ 585,841</u>	<u>\$ 599,109</u>	<u>\$ 608,045</u>	<u>\$ 484,130</u>	<u>\$ 459,554</u>
315,794	319,629	328,856	334,850	325,389	328,417
\$ 2,972	\$ 1,833	\$ 1,822	\$ 1,816	\$ 1,488	\$ 1,399
302,838	306,791	311,937	318,515	308,769	312,093
(3)	(3)	(3)	(4)	(4)	(4)
12,959	12,841	16,922	16,339	16,624	16,328
<u>315,794</u>	<u>319,629</u>	<u>328,856</u>	<u>334,850</u>	<u>325,389</u>	<u>328,417</u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS**

Year	Cuyahoga County			
	Estimated Population (1)	Unemployment Rate (2)	Total Personal Income (000's) (3)	Per Capita Personal Income (3)
2005	1,041,392	6.1%	\$ 49,335,286	\$ 37,082
2006	1,032,670	5.5%	51,236,686	39,134
2007	1,027,184	6.1%	52,893,000	40,838
2008	1,026,500	6.8%	53,946,514	42,051
2009	1,015,500	9.2%	52,802,000	41,391
2010	1,280,122	9.5%	52,898,050	41,347
2011	1,025,881	9.9%	56,224,434	44,088
2012	1,266,049	7.0%	58,299,020	40,838
2013	1,263,154	7.2%	59,739,324	47,294
2014	1,259,828	5.7%	n/a	n/a

(1) Sources are District administrative records, 2010 U.S. Census, and U.S. Census Block Data as presented in the Northeast Ohio Areawide Coordinating Agency Magic 2001 Database.

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

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

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

**NORTHEAST OHIO REGIONAL SEWER DISTRICT  
PRINCIPAL EMPLOYERS OF CUYAHOGA COUNTY, OHIO  
AS OF DECEMBER 31, 2014  
and NINE YEARS PRIOR**

Employer Name (1)	2014			2005		
	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)
	12-31-2014			12-31-2005		
Cleveland Clinic Health System	34,658	1	5.21%	29,572	1	3.93%
University Hospitals	17,856	2	2.68%	12,575	2	1.67%
U.S. Office of Personnel Management	14,059	3	2.11%	9,105	4	1.21%
Giant Eagle, Inc.	9,400	4	1.41%	-	-	-
Progressive Corp.	9,001	5	1.35%	8,836	5	1.18%
Group Management Services, Inc.	8,813	6	1.32%	-	-	-
State of Ohio	8,340	7	1.26%	-	-	-
Cuyahoga County	7,776	8	1.17%	9,250	3	1.23%
Cleveland Municipal School District	6,953	9	1.05%	7,438	7	0.99%
City of Cleveland	6,757	10	1.01%	8,455	6	1.12%
Key Corp.	-	-	-	6,628	8	0.88%
National City Corp.	-	-	-	6,578	9	0.88%
Metro Health System	-	-	-	5,613	10	0.75%
Total	123,613		18.57%	104,050		13.84%
Total Cuyahoga County Employment (2)			665,815			751,797

\* Full-Time Equivalent.

(1) Sources are *Crain's Cleveland Business*, December 2014 and March, 2005.

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

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

Cuyahoga County, Ohio Comprehensive Annual Financial Report for 2005, and U.S.

Department of Labor, Bureau of Labor Statistics.

(3) Employment outside of top ten reporting year.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>TREATMENT PLANT FLOW</u></b>				
<b>Billions of gallons of sewage treated per plant:</b>				
Easterly	32.2	31.7	32.9	41.9
Southerly	47.2	44.0	39.1	51.5
Westerly	10.3	9.9	9.9	12.6
Total	<u>89.7</u>	<u>85.6</u>	<u>81.9</u>	<u>106.0</u>
<b>Total sewage treated, in MCFs (1)</b>	<u>11,991,979</u>	<u>11,443,850</u>	<u>10,949,198</u>	<u>14,171,123</u>
<b>MCFs billed, total District (5)</b>	<u>3,739,178</u>	<u>3,709,188</u>	<u>3,895,816</u>	<u>4,096,885</u>
<b><u>STAFFING LEVELS</u></b>				
<b>Number of employees:</b>				
Plant Operations and Maintenance (4)	363	344	339	352
Engineering	61	61	61	52
Finance (6) (7)	44	43	39	41
Human Resources (3)	16	16	15	17
Information Technology	22	18	19	19
District Administration (3) (6) (8)	78	69	66	54
Legal (8)	9	12	11	10
Administration and External Affairs (7)	38	32	28	25
Watershed Programs (4)	77	78	70	72
Total	<u>708</u>	<u>673</u>	<u>648</u>	<u>642</u>
<b>Budgeted employees, total District</b>	<u>730</u>	<u>719</u>	<u>693</u>	<u>680</u>

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

(2) Restated 2005 for City of Cleveland Subdistrict 2 and City of Cleveland Heights.

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

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

(5) Restated 2010 MCF's billed.

(6) Reclassified Internal Audit from Finance to District Administration in 2009.

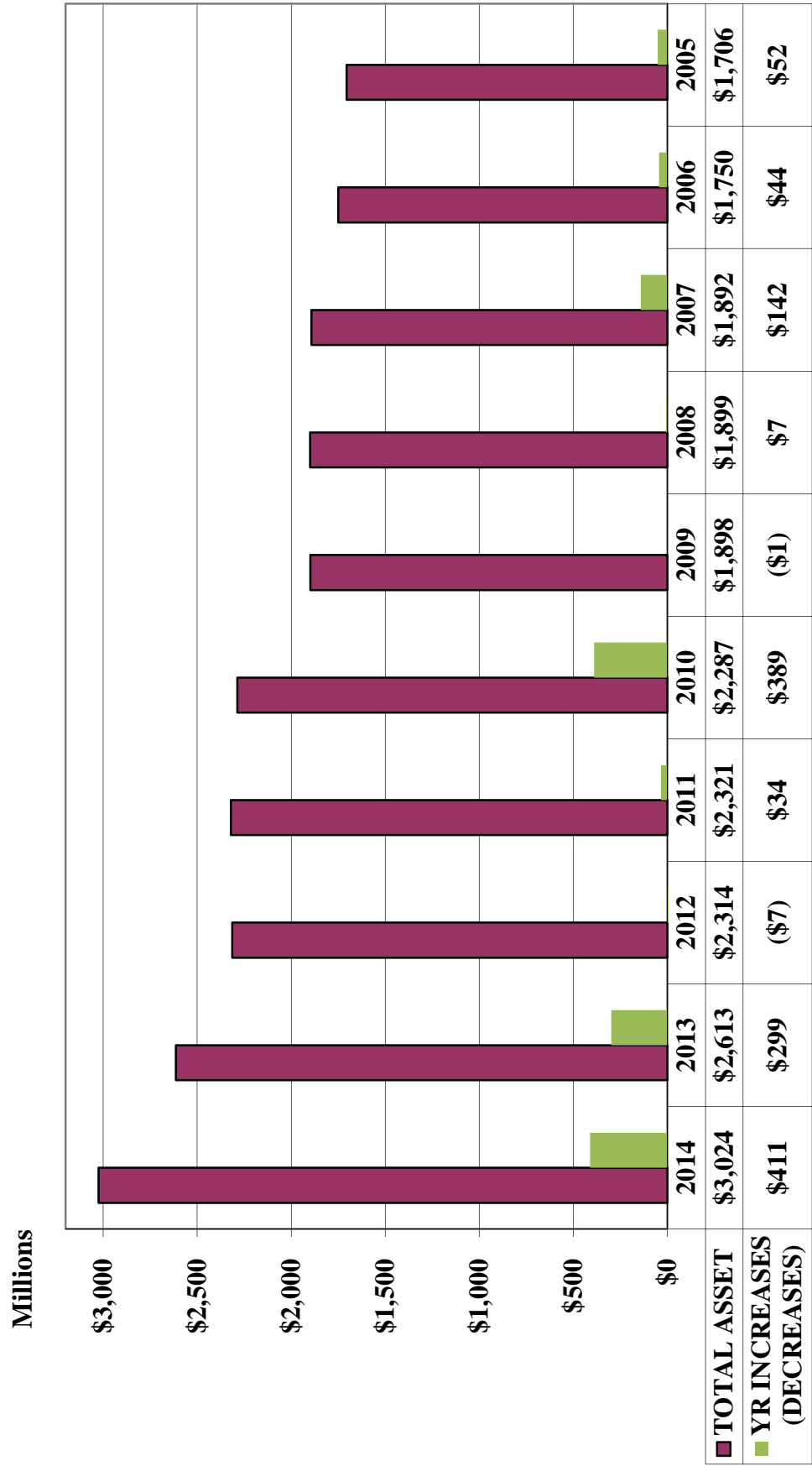
(7) Reclassified Customer Service from Finance to Administration and External Affairs in 2011.

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

Source: Various District records.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
30.9	31.2	36.1	35.3	34.4	38.4
39.2	39.1	43.8	45.3	45.8	46.6
9.0	10.1	10.8	10.0	9.6	10.4
<u>79.1</u>	<u>80.4</u>	<u>90.7</u>	<u>90.6</u>	<u>89.8</u>	<u>95.4</u>
<u>10,574,866</u>	<u>10,748,663</u>	<u>12,125,668</u>	<u>12,112,299</u>	<u>12,005,348</u>	<u>12,754,011</u>
<u>4,195,507</u>	<u>4,267,959</u>	<u>4,507,357</u>	<u>4,756,809</u>	<u>4,745,269</u>	<u>4,969,702</u>
					(2)
357	353	363	396	404	412
54	56	57	65	70	66
47	47	47	42	50	49
17	19	14	15	17	21
20	21	19	21	20	19
50	47	46	56	44	43
14	13	14	8	8	9
18	16	16	8	7	4
63	62	58	-	-	-
<u>640</u>	<u>634</u>	<u>634</u>	<u>611</u>	<u>620</u>	<u>623</u>
<u>679</u>	<u>668</u>	<u>660</u>	<u>662</u>	<u>676</u>	<u>672</u>

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







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

	2014	2013	2012	2011
<b>Number of Buildings</b>				
<u>Operations</u>				
Southerly Plant	42	42	40	39
Easterly Plant	19	19	18	18
Westerly Plant	17	16	16	16
Outlying Pump Buildings	7	7	7	7
Total Operations	85	84	81	80
<u>Administration</u>				
District Administration	1	1	1	1
Environmental Maintenance and Services Center	4	4	4	4
Total Offices	5	5	5	5
<b>Total Buildings</b>	90	89	86	85
<b>Miles of Interceptor Sewers Installed Annually*</b>	4.5	0.25	2.87	5.55
<b>Number of Outlying Systems</b>				
<u>Sewage Collection System</u>				
Interceptor Sewers and Tunnels	21	21	21	21
Inter-Community Relief Sewers**	30	29	28	26
Automated Regulators	31	25	25	25
Pumping Stations**	9	10	10	10
Force Mains**	5	6	6	6
Total Sewage Collection System	96	91	90	88
<u>Support Facilities</u>				
Floatables Control Sites	10	10	10	10
Biofilter Odor Control Sites	8	8	8	8
Rain Gauge Sites	28	25	25	25
Lakeview Dam	1	1	1	1
Total Support Facilities	47	44	44	44
<b>Total Outlying Systems</b>	143	135	134	132
<b>Acres of Land</b>				
<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
<b>Total Acres, Operations and Administration</b>	434.5	434.5	434.5	434.5

\*Total interceptor sewers are in excess of 200 miles.

\*\*Records have been adjusted after a review of historic records.

Source: District accounting and engineering records.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
39	39	38	36	36	36
18	18	18	18	18	18
16	16	16	16	16	17
<u>7</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>80</u>	<u>78</u>	<u>77</u>	<u>75</u>	<u>75</u>	<u>76</u>
1	1	1	1	1	1
<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>85</u>	<u>83</u>	<u>82</u>	<u>80</u>	<u>80</u>	<u>81</u>
<u>3.95</u>	<u>0.40</u>	<u>0.99</u>	<u>0.89</u>	<u>3.52</u>	<u>5.04</u>
21	21	21	21	21	21
26	25	25	25	25	22
25	25	25	25	25	25
10	8	8	7	7	7
<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>88</u>	<u>84</u>	<u>84</u>	<u>79</u>	<u>83</u>	<u>80</u>
10	10	10	10	10	10
8	8	8	8	8	8
25	25	25	25	25	25
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>
<u>132</u>	<u>128</u>	<u>128</u>	<u>123</u>	<u>127</u>	<u>124</u>
311.2	311.2	311.2	311.2	311.2	311.2
92.6	77.7	77.7	77.7	77.7	77.7
13.4	14.5	14.5	14.5	14.5	14.5
2.6	2.6	2.6	2.6	2.6	2.6
<u>14.7</u>	<u>14.7</u>	<u>14.7</u>	<u>14.7</u>	<u>14.7</u>	<u>14.7</u>
<u>434.5</u>	<u>420.7</u>	<u>420.7</u>	<u>420.7</u>	<u>420.7</u>	<u>420.7</u>



## CONTINUING DISCLOSURE REQUIREMENTS

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Subdistrict 1</u>				
Cleveland (1)	124,288	125,422	126,357	125,832
<u>Subdistrict 2</u>				
Master Meter - Suburbs (2)	3	3	3	3
Direct Service - Suburbs (1)	<u>188,733</u>	<u>187,859</u>	<u>186,934</u>	<u>183,985</u>
Subtotal	<u>188,736</u>	<u>187,862</u>	<u>186,937</u>	<u>183,988</u>
Total Customers	<u><u>313,024</u></u>	<u><u>313,284</u></u>	<u><u>313,294</u></u>	<u><u>309,820</u></u>

(1) 2005 through 2006 exclude inactive accounts.

(2) 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. 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.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
121,009	122,201	128,142	130,616	129,428	133,054
3	3	3	4	4	4
<u>181,826</u>	<u>184,587</u>	<u>183,792</u>	<u>187,895</u>	<u>179,337</u>	<u>179,035</u>
<u>181,829</u>	<u>184,590</u>	<u>183,795</u>	<u>187,899</u>	<u>179,341</u>	<u>179,039</u>
<u><u>302,838</u></u>	<u><u>306,791</u></u>	<u><u>311,937</u></u>	<u><u>318,515</u></u>	<u><u>308,769</u></u>	<u><u>312,093</u></u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Subdistrict 1</u>				
Cleveland	1,715,359	1,706,438	1,781,276	1,881,996
<u>Subdistrict 2</u>				
Direct Service - Suburbs (3)	1,892,128	1,859,247	1,977,996	2,005,569
Master Meter - Suburbs (1)	<u>131,691</u>	<u>143,503</u>	<u>136,544</u>	<u>209,320</u>
Subtotal	<u>2,023,819</u>	<u>2,002,750</u>	<u>2,114,540</u>	<u>2,214,889</u>
Total Service Area	<u><u>3,739,178</u></u>	<u><u>3,709,188</u></u>	<u><u>3,895,816</u></u>	<u><u>4,096,885</u></u>

- (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) Restated 2005 for consumption adjustment.
- (3) For 2005, NASA was categorized as a Direct Bill customer in Subdistrict 1. Beginning in 2006, NASA has been categorized as a Subdistrict 2 customer to properly reflect consumption totals.
- (4) Restated 2010 for consumption adjustment.



<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,946,380 (4)	1,915,736	2,127,084	2,217,887	2,209,563	2,370,567
2,078,834 (4)	2,189,464	2,184,458	2,250,184	2,215,147	2,288,026
<u>170,293</u>	<u>162,759</u>	<u>195,815</u>	<u>288,738</u>	<u>320,559</u>	<u>311,109</u>
<u>2,249,127</u>	<u>2,352,223</u>	<u>2,380,273</u>	<u>2,538,922</u>	<u>2,535,706</u>	<u>2,599,135</u>
<u><u>4,195,507</u></u>	<u><u>4,267,959</u></u>	<u><u>4,507,357</u></u>	<u><u>4,756,809</u></u>	<u><u>4,745,269</u></u>	<u><u>4,969,702</u></u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT**  
**SUMMARY OF REVENUES, EXPENSES, DEBT SERVICE AND**  
**DEBT SERVICE COVERAGE**  
**LAST TEN YEARS**  
**(In Thousands of Dollars)**

	2014	2013	2012	2011
Operating Revenues, Net	\$ 239,185	\$ 209,790	\$ 187,241	\$ 172,722
Non-Operating Revenues	1,290	1,462	1,939	3,674
Total Revenues	240,475	211,252	189,180	176,396
Operating Expenses (Exclusive of depreciation)	102,198	99,895	94,107	90,314
Transfer to Rate Stabilization Account	6,000	-	-	3,000
Total Expenses	108,198	99,895	94,107	93,314
Net Revenues Available for Debt Service	\$ 132,277	\$ 111,357	\$ 95,073	\$ 83,082
Total Revenue Bond Debt Service (1),(2)	\$ 28,774	\$ 28,579	\$ 15,372	\$ 15,370
Coverage on Revenue Bond Debt Service	4.60	3.90	6.18	5.41
Total All Debt Service (1)	\$ 78,180	\$ 78,818	\$ 64,473	\$ 59,974
Coverage on Total Debt Service	1.69	1.41	1.47	1.39

(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, 2014 were:

	2014	2013	2012	2011
Revenue Bond Issues and Debt Service				
\$68,280 Series 2005 (A)	\$ 7,522	\$ 7,516	\$ 7,518	\$ 7,514
\$126,055 Series 2007 (B) (F)	7,858	7,858	7,854	7,856
\$336,930 Series 2010 (C) (G)	13,394	13,205	-	-
\$249,535 Series 2013 (D)	-	-	-	-
\$350,570 Series 2014A (E)	-	-	-	-
\$68,460 Series 2014B (F)	-	-	-	-
Total Revenue Bond Issues and Debt Service	28,774	28,579	15,372	15,370
OWDA Debt Service	-	-	-	-
WPCLF Debt Service	49,406	50,239	49,101	44,604
Total All Debt Service	\$ 78,180	\$ 78,818	\$ 64,473	\$ 59,974

(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.

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

Source: District accounting records.

2010	2009	2008	2007	2006	2005
\$ 166,851	\$ 164,776	\$ 162,271	\$ 159,055	\$ 150,154	\$ 145,297
4,131	3,366	14,047	15,575	10,421	4,850
170,982	168,142	176,318	174,630	160,575	150,147
97,278	93,554	91,713	85,205	83,056	78,780
-	3,000	-	-	-	-
97,278	96,554	91,713	85,205	83,056	78,780
<u>\$ 73,704</u>	<u>\$ 71,588</u>	<u>\$ 84,605</u>	<u>\$ 89,425</u>	<u>\$ 77,519</u>	<u>\$ 71,367</u>
\$ 15,375	\$ 15,373	\$ 15,375	\$ 10,174	\$ 7,490	\$ 7,935
4.79	4.66	5.61	8.79	10.35	8.99
\$ 60,821	\$ 59,430	\$ 58,140	\$ 54,905	\$ 44,257	\$ 42,552
1.21	1.20	1.46	1.63	1.75	1.68

2010	2009	2008	2007	2006	2005
\$ 7,520	\$ 7,517	\$ 7,517	\$ 7,514	\$ 7,490	\$ -
7,855	7,856	7,858	2,660	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,375	15,373	15,375	10,174	7,490	-
-	-	204	409	409	409
45,446	44,057	42,561	44,322	36,358	34,208
<u>\$ 60,821</u>	<u>\$ 59,430</u>	<u>\$ 58,140</u>	<u>\$ 54,905</u>	<u>\$ 44,257</u>	<u>\$ 34,617</u>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT  
SEWAGE SERVICE RATES  
RATE HISTORY - LAST TEN YEARS**

Fiscal Years During Which Rates Were Effective	Fixed Fee (3)	SUBDISTRICT 1				SUBDISTRICT 2			
		Standard		Homestead (2)		Standard		Homestead (2)	
		Rate (1)	% Change	Rate (1)	% Change	Rate (1)	% Change	Rate (1)	% Change
2005	\$ -	\$ 26.20	7.4	\$ 17.70	7.6	\$ 30.95	5.3	\$ 20.80	5.6
2006	-	28.10	7.3	18.95	7.1	32.60	5.3	21.90	5.3
2007	-	30.85	9.8	20.75	9.5	35.10	7.7	23.55	7.5
2008	-	33.85	9.7	22.75	9.6	37.85	7.8	25.40	7.9
2009	-	37.15	9.7	24.95	9.7	40.90	8.1	27.45	8.1
2010	-	40.75	9.7	27.35	9.6	44.25	8.2	29.70	8.2
2011	-	44.75	9.8	30.05	9.9	48.00	8.5	32.25	8.6
2012	5.85	49.55	10.7	29.75	-1.0	52.55	9.5	31.75	-1.6
2013	6.30	55.45	11.9	33.35	12.1	58.15	10.7	35.15	10.7
2014	6.60	62.15	12.1	37.35	12.0	64.55	11.0	38.95	10.8

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

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

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

Industrial Waste Surcharge

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

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

Minimum Quarterly Billing

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

Source: District accounting records.



**NORTHEAST OHIO REGIONAL SEWER DISTRICT**  
**CAPITAL IMPROVEMENT PROGRAM**  
**USES AND SOURCES OF FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH 2024**  
(In Thousands of Dollars)

	2015	2016	2017	2018	2019
<b><u>USES OF FUNDS</u></b>					
Sewage Treatment Plant Improvements					
Westerly	\$ 50,661,391	\$ 44,731,065	\$ 31,025,772	\$ 6,658,090	\$ 448,556
Southerly	3,602,954	3,181,199	2,206,501	473,512	31,901
Easterly	14,132,740	12,478,388	8,655,095	1,857,372	125,131
Sub-Total	68,397,085	60,390,652	41,887,368	8,988,974	605,588
Interceptors/Rehabilitation	16,838,343	29,638,901	33,494,512	25,536,161	20,811,253
Combined Sewer Overflow Control Program	167,339,308	143,259,023	202,445,737	262,742,170	300,087,020
Information Technology and Other Minor Equipment	11,345,595	8,742,492	6,310,307	4,342,970	4,938,536
Total	<u>\$ 263,920,331</u>	<u>\$ 242,031,068</u>	<u>\$ 284,137,924</u>	<u>\$ 301,610,275</u>	<u>\$ 326,442,397</u>
<b><u>SOURCES OF FUNDS</u></b>					
WPCLF Loans (1)	\$ 52,676,112	\$ 46,239,678	\$ 46,239,678	\$ 35,000,000	\$ 35,000,000
Net Bond Proceeds	176,942,003	163,617,919	196,898,198	231,103,994	258,066,194
Internally Generated Funds	34,302,216	32,173,471	41,000,048	35,506,281	33,376,203
Total	<u>\$ 263,920,331</u>	<u>\$ 242,031,068</u>	<u>\$ 284,137,924</u>	<u>\$ 301,610,275</u>	<u>\$ 326,442,397</u>

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

2020	2021	2022	2023	2024	TOTAL
\$ 25,086,230	\$ 68,269,914	\$ 50,646,725	\$ 18,367,104	\$ 15,899,176	\$ 311,794,023
1,784,091	4,855,243	3,601,911	1,306,238	1,130,723	22,174,273
6,998,172	19,044,897	14,128,649	5,123,774	4,435,309	86,979,527
33,868,493	92,170,054	68,377,285	24,797,116	21,465,208	420,947,823
11,968,370	12,633,074	14,817,747	30,614,677	28,769,648	225,122,686
200,002,558	62,540,834	89,929,487	99,469,537	117,362,585	1,645,178,259
11,985,477	17,757,738	16,462,961	10,136,954	3,013,172	95,036,202
<u>\$ 257,824,898</u>	<u>\$ 185,101,700</u>	<u>\$ 189,587,480</u>	<u>\$ 165,018,284</u>	<u>\$ 170,610,613</u>	<u>\$ 2,386,284,970</u>
\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 390,155,468
188,902,109	112,743,841	114,160,499	88,565,031	87,991,394	1,618,991,182
33,922,789	37,357,859	40,426,981	41,453,253	47,619,219	377,138,320
<u>\$ 257,824,898</u>	<u>\$ 185,101,700</u>	<u>\$ 189,587,480</u>	<u>\$ 165,018,284</u>	<u>\$ 170,610,613</u>	<u>\$ 2,386,284,970</u>

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**Keeping our  
Great Lake  
great.** 

 **Northeast Ohio  
Regional Sewer District**

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