

Northeast Ohio
Regional Sewer District

2015 Comprehensive Annual Financial Report

For the year ended December 31, 2015 • A political subdivision of the State of Ohio





Northeast Ohio Regional Sewer District

- A** McMonagle Administration Building- 3900 Euclid Avenue
- E** Environmental & Mantance 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
- Seperate Sewer Area

EASTERLY WASTEWATER TREATMENT PLANT INTERCEPTOR SYSTEM

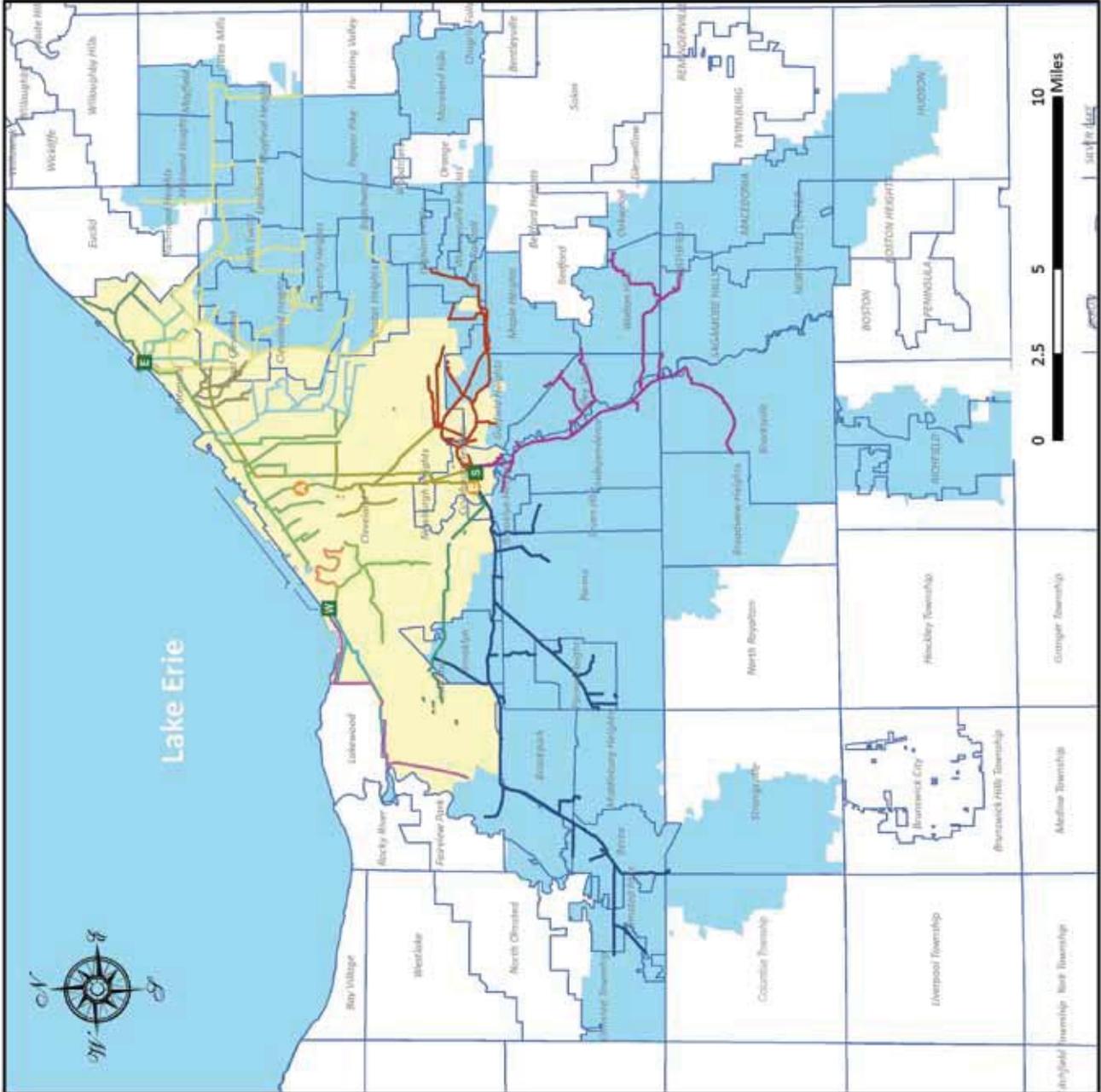
- E. 140th/E. 152nd-Ivanhoe Interceptors
- Easterly Interceptor
- Doan Valley Interceptor
- Dugway Interceptor
- Heights-Hilltop Interceptors & ICRS
- Lakeshore-Nottingham Interceptors

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

2015 Comprehensive Annual Financial Report
For the Year Ended December 31, 2015

Prepared by the Department of Finance

Jennifer L. Demmerle, CPA, MBA
Chief Financial Officer



NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

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**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2015

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***Introductory
section***





June 28, 2016

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 year ended December 31, 2015.

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 year ended December 31, 2015, 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 year ended December 31, 2015 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 54 of this report, along with the accompanying Notes to Supplementary Information for additional budgetary information.

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

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is 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 2015 (not seasonally adjusted) for Cuyahoga County, which is significantly the same as the District's service area, was 5.0%. Cuyahoga County's unemployment rate was 0.1% higher than (not seasonally adjusted) the rate of 4.9% for the State of Ohio and 0.3% lower than the national rate (not seasonally adjusted) of 5.3%. 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 2016 to 2020, primarily for improvements to our Southerly wastewater treatment plant and our CSO long-term control plan. This includes approximately \$140.7 million for the plants, \$1.1 billion for the CSO projects, \$124.9 million for the collection system improvements, and \$55.2 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. Currently, we are performing a rate study that will set the rates from 2017-2021 and will result in an updated long-term financial plan.

Debt Administration

At year-end, the District had bonded debt outstanding of \$1,053,555,000. The debt, including applicable bond premium costs, is \$1,120,057,936. The District has also obtained loans through the State of Ohio Water Pollution Control Loan Fund (WPCLF). As of December 31, 2015, the outstanding loan balance was \$497,778,277 for the WPCLF. Outstanding revenue bonds of the District are rated AA+ by Standard & Poor's and Aa1 by Moody's rating agencies. Note 7 to the financial statements 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 statement 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 7 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 7 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 7 to the financial statements.

In 2013, the District issued \$249,535,000 Wastewater Improvement Revenue Bonds, Series 2013, for the purpose of providing funds for the acquisition, construction and improvement of wastewater facilities or water management facilities, constituting Water Resource Projects. This information should be read in conjunction with Note 7 to the financial statements.

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

MAJOR INITIATIVES

For the Year

2015 Awards

During 2015, the District received awards for 2014 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 2014.

The District's Easterly Plant earned the NACWA Platinum +1 Peak Performance Award which is no National Pollutant Discharge Elimination System (NPDES) permit excursions for 6 years. The Westerly earned the NACWA Platinum Peak Performance Award which is no NPDES permit excursions for 5 years. The Southerly Plant earned a Peak Performance Gold award that recognizes facilities with no NPDES permit exceedances in a year. Awards for 2015 performance have not been announced as of the date of this report.

During 2015, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the District for the ninth time for its 2015 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 \$137 million worth of business to MBE/WBE/SBE businesses across Northeast Ohio in 2015. 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 2015, the employees of the District raised over \$93,000 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. 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 2015 accomplishments:

- Conducting four Connecting with Respect Workshops for the Safety Department and completed a Code of Cooperation for their department.
- Host twelve Diversity Dialogue sessions across the District.
- Improved communications about diversity across the District with regular information and articles in the People and Progress newsletter.
- The District was featured in a national article in Diversity Inc. Magazine for its diversity accomplishments and efforts.
- Delivered a workshop on lawful inclusive hiring and selection as part of the Managers Matter series.
- The District received numerous external awards in 2015 for their diversity accomplishments such as NorthCoast 99 Top Workplace Award and The Cleveland Plain Dealer Top Workplace Award.
- Earned 2015 Commission on Economic Inclusion Awards such as Best in Class Supplier Diversity, Best in Class Senior Leadership Diversity and Hall of Fame Commission on Economic Inclusion

- *Employee Recognition Program*

The Employee Recognition program, created to foster a culture of appreciation and make recognition a part of our daily activities, has been in place since late 2009. 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 2015, the frequency of the program changed from monthly to quarterly to recognize an employee and team from each location. Over the course of the year, the program awarded 14 Employees and 13 Teams for their contributions. In addition, 3 employees received Annual Spirit Awards for consistently demonstrating professionalism and promoting a positive workplace environment. The Lifetime Achievement Award, first implemented in 2014, was again given to a deserving employee who has made a significant impact on the District throughout their career.

The Employee Recognition Program strives to continue cultivating 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.

Employee awards and recognitions included the following:

- 2015 Who's Who in Black Cleveland recognized Kathryn M. Hall, Ramona Lowery, Darnella Robertson and George Sample.
- Devona Marshall was recognized as the YWCA Woman of Professional Excellence
- Archer Awards Finalist for HR Director of the Year, Douglas Dykes
- Chief Financial Officer of the Year for Government, Jennifer L. Demmerle

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 2015, the District commenced the design of its fourth large-scale tunnel, the Westerly Storage Tunnel, and associated pump station. This tunnel system when complete will have the capacity to store 36 million gallons of combined sewage for treatment at the District's Westerly Wastewater Treatment Plant controlling approximately 300 million gallons of CSO in a typical year. The fifth large-scale tunnel, the Doan Valley Tunnel, is also under design and is scheduled for construction commencement in early 2017. Additionally, the District advanced the construction of its third large-scale tunnel, the Dugway Storage Tunnel and completed construction on its second large-scale tunnel, the Euclid Creek Tunnel. These tunnels 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. 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.

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 8th Appellate District to seek a halt to the Regional Stormwater Management Program. On September 26, 2013, the Appellate Court halted the District's Regional Stormwater Management Program by a 2 to 1 decision with a strong dissent. The District immediately suspended its program and placed all fees collected into an interest bearing escrow account pending an appeal to the Supreme Court of Ohio. The District filed its notice of appeal in November 2013, and the Supreme Court accepted the case in February 2014. Oral arguments before the Supreme Court took place on September 9, 2014. In December 2015 the Ohio Supreme Court issued its final opinion that the District has the authority to implement the Regional Stormwater Management Program and collect the impervious surface fee. The District has restarted the Stormwater Program and will begin billing in July of 2016. The anticipated yearly revenue from the Stormwater Program is \$41 million.

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, 2014. This was the 20th 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,



Julius Ciaccia
Chief Executive Officer



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



2014 Comprehensive Annual Financial Reporting Award



***2015 Government Finance Officers Association
Distinguished Budget Award***



**NORTHEAST OHIO REGIONAL SEWER DISTRICT
TABLE OF ORGANIZATION
DECEMBER 31, 2015**

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
42 employees



Kellie C. Rotunno
Chief Operating Officer
493 employees



Marlene Sundheimer
Chief Legal Officer
8 employees

DIRECTORS



James Bunsey
Director of Engineering and
Construction
64 employees



Douglas M. Dykes
Director of Human
Resources
27 employees



Francis P. Greenland
Director of Watershed
Programs
83 employees



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



Chandrasekhar Yadati
Director of Information
Technology
19 employees



Raymond Weeden
Director of Operations and
Maintenance
410 employees



***Financial
section***

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 business-type activities of the Northeast Ohio Regional Sewer District (the "District"), as of and for the year ended December 31, 2015, 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 audit. We conducted our audit 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 audit 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 respective financial position of the business-type activities of the District, as of December 31, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the basic financial statements, during 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their December 31, 2014 net position of the business-type activities. Our opinion is not modified with respect to this matter.

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 12 and the schedules of the District's proportionate share of the net pension liability and schedules of the District's contributions on pages 56 through 58 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 audit was 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.

Board of Trustees
Northeast Ohio Regional Sewer District

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 28, 2016

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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, 2015. 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 and deferred inflows of resources by \$1,357,906,185.
- Net position increased by \$54,502,371.
- Net investment in capital assets decreased by \$232,084,029.
- Unrestricted net position increased by \$286,586,400.
- Retirements of debt principal were \$46,084,980.
- Operating revenues increased by \$41,244,758.
- Operating expenses increased by \$7,935,044.

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

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

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

The following tables provide a summary of the District's financial position and operations for 2015 and 2014. Certain amounts may vary slightly due to differences caused by rounding to thousands.

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis

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

	2015	2014	Change	
			Amount	%
<u>Assets</u>				
Current Assets	\$ 530,427	\$ 737,809	\$ (207,382)	(28.1%)
Capital Assets, Net	2,367,996	2,208,571	159,425	7.2%
Other Noncurrent Assets	161,390	77,513	83,877	108.2%
Total Assets	3,059,813	3,023,893	35,920	1.2%
<u>Deferred Outflows of Resources</u>				
Pension	8,988	5,881	3,107	52.8%
Deferred Charge on Refunding	53	139	(86)	(61.9%)
Total Deferred Outflows of Resources	9,041	6,020	3,021	50.2%
Total Assets and Deferred Outflows of Resources	3,068,854	3,029,913	38,941	1.3%
<u>Liabilities</u>				
Current Liabilities	103,588	122,078	(18,490)	(15.1%)
Long-Term Debt	1,564,757	1,561,574	3,183	0.2%
Net Pension Liability	40,528	39,557	971	2.5%
Other Long-Term Liabilities	1,300	3,300	(2,000)	(60.6%)
Total Liabilities	1,710,173	1,726,509	(16,336)	(0.9%)
<u>Deferred Inflows of Resources</u>				
Pension	775	-	775	100.0%
<u>Net Position</u>				
Net Investment in Capital Assets	786,650	1,018,734	(232,084)	(22.8%)
Unrestricted	571,256	284,670	286,586	100.7%
Total Net Position	\$ 1,357,906	\$ 1,303,404	\$ 54,502	4.2%

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$1,337,079,842 to \$1,303,403,814.

The District's assets and deferred outflows of resources exceeded liabilities by \$1,357,906,185 as of December 31, 2015, of which \$786,650,331 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 2015, net position increased by \$54,502,371. The majority of this increase was due to the following:

- Sewage service fees receivable from customers increased by \$4,811,202.
- Receivables from Federal and State agencies increased by \$5,172,013.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

- Long-term investments decreased by \$77,157,703.
- Capital assets increased by \$159,424,632 due mainly to construction in progress and additions to the wastewater treatment and conveyance systems.
- Total debt increased by new debt incurred in the amount of \$65,992,732. Additions of \$65,077,333 were for WPCLF and \$915,399 for net pension liability – OPERS. The reductions of \$46,084,980 were for the repayment of debt principal on revenue bonds and WPCLF.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015.

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

	2015	2014	Change	
			Amount	%
<u>Operating Revenues, Net</u>				
Sewer and Stormwater Service Fees				
Billing Agents				
City of Cleveland	\$ 242,171	\$ 206,720	\$ 35,451	17.1%
Other Billing Agents	15,824	13,901	1,923	13.8%
Total Billing Agents	257,995	220,621	37,374	16.9%
Direct Billed Sewer and Stormwater Service Fees	17,007	17,686	(679)	(3.8%)
Total Sewer and Stormwater Service Fees	275,002	238,307	36,695	15.4%
Other Operating Revenue				
Septic Tank and Municipal Sludge Fees	501	452	49	10.8%
Miscellaneous	4,927	426	4,501	1056.6%
Total Other Operating Revenue	5,428	878	4,550	518.2%
Total Operating Revenues, Net	280,430	239,185	41,245	17.2%
<u>Non-Operating Revenues</u>				
Interest Revenue	2,526	994	1,532	154.1%
Federal Subsidy Revenue	6,469	6,438	31	0.5%
Non-Operating Grant Revenue	1,383	1,304	79	6.1%
(Decrease) Increase in Fair Value of Investments, Net	(1,173)	296	(1,469)	496.3%
Total Non-Operating Revenues	9,205	9,032	173	1.9%
Total Revenues	289,635	248,217	41,418	16.7%
<u>Operating Expenses</u>				
Salaries and Wages	47,918	46,227	1,691	3.7%
Fringe Benefits	14,563	14,611	(48)	(0.3%)
Utilities	16,284	15,267	1,017	6.7%
Professional and Contractual Services	21,988	22,286	(298)	(1.3%)
Other	3,726	3,807	(81)	(2.1%)
Depreciation	62,826	57,172	5,654	9.9%
Total Operating Expenses	\$ 167,305	\$ 159,370	\$ 7,935	4.98%

NORTHEAST OHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis

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

	2015	2014	Change	
			Amount	%
<u>Non-Operating Expenses</u>				
Interest Expense on Long-Term Debt	\$ 62,617	\$ 59,923	\$ 2,694	4.5%
Non-Operating Grant Expenses	708	4,259	(3,551)	(83.4%)
Loss on Disposals of Equipment	4,323	3,913	410	10.5%
Total Non-Operating Expenses	<u>67,648</u>	<u>68,095</u>	<u>(447)</u>	<u>(0.7%)</u>
Total Expenses	<u>234,953</u>	<u>227,465</u>	<u>7,488</u>	<u>3.3%</u>
Income Before Extraordinary Item	54,682	20,752	33,930	163.5%
Loss - Information Technology Fire	(180)	-	(180)	(100.0%)
Change in Net Position	54,502	20,752	33,750	162.6%
Net Position at Beginning of Year -				
- Restated (See Note 3)	1,303,404	N/A	N/A	N/A
Net Position at End of Year	<u>\$ 1,357,906</u>	<u>\$ 1,303,404</u>	<u>N/A</u>	<u>N/A</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$5,880,630 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$4,534,955. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	District's Operating Activities (In Thousands)
Total 2015 operating expenses under GASB 68	\$ 167,305
Pension expense under GASB 68	(4,535)
2015 contractually required contribution	<u>6,205</u>
Adjusted 2015 operating expenses	168,975
Total 2014 operating expenses under GASB 27	159,370
Increase in operating expenses not related to pension	<u>\$ 9,605</u>

NORTHEASTOHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Operating revenues consist mainly of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating expenses reflect the cost of providing these services. For the year ended December 31, 2015:

- Operating revenues increased by \$41,244,758 (17.2%) compared to 2014. The increase was due to higher sewer billing rates in 2015, coupled with a lower decrease than expected in budgeted billed water consumption. Another important factor that increased operating revenues in 2015 is the ruling of the Ohio Supreme Court in favor of the District to manage stormwater and to impose a fee for this purpose (see Northeast Ohio Regional Sewer Dist. v. Bath Twp., Slip Opinion No. 2015-Ohio-3705). With this litigation resolved, the District has restarted its Regional Stormwater Management Program and the funds held in escrow have been released to the District. Therefore, the Stormwater liability was removed from the books and the revenue of \$20,744,529 collected during 2013, the initial year of the Stormwater Management Program, was recognized as of December 31, 2015.
- Non-operating revenues increased by \$174,018 (1.9%). Non-operating revenues consist of interest revenue, the change in fair value of investments, grant revenue and Federal subsidy revenue. Interest revenue increased by \$1,532,489 (154.1%) due to an increase in investments. The fair value of investments for 2015 decreased by \$1,469,021 (496.3 %). Non-operating grant revenue increased by \$79,314 (6.1%) due to the increase of funds received for Water Resource Sponsorship Programs. Federal subsidy revenue increased by \$31,236 (0.5%).
- Operating expenses increased \$7,935,044 (4.9%) compared to 2014. Main components of operating expenses are as follows:
 - Salary and wages increased \$1,691,705 (3.7%).
 - Fringe benefits decreased \$47,834 (0.3%).
 - Utilities increased \$1,016,605 (6.7%) due to an increase in power cost.
 - Other Expenses decreased due the net effect of the changes of its subcategory expenses: Solid handling waste removal decreased \$1,145,348 (49.5%). Judgments and Awards decreased \$390,559 (96.9%) due to a decrease in litigation costs, Chemicals decreased \$287,034 (9.1%), and Repairs and Maintenance decreased \$156,495 (4.7%). These decreases were offset by the increases in following other expenses: \$794,481 (16.3%) in Materials and Supplies, \$6,820 (1.0%) in Reimbursable Expenses and \$633,454 (6.8%) in Capitalized Payroll.
- Non-operating expenses decreased \$446,556 (0.7%). Losses on equipment disposals increased \$410,719 (10.5%) due to increases in disposals of obsolete equipment in 2015. Non-operating grant expense decreased \$3,551,592 (83.4%). Interest expense increased by \$2,694,317 (4.5%).

Capital Assets

At the end of 2015, the District invested \$2,367,995,901 in net capital assets. This amount represents a net increase of approximately \$160 million, or 7.2% over 2014. Refer to Notes 2 and 6 to the audited financial statements for more detailed information on capital assets.

Capital Assets at December 31, 2015 (Net of Depreciation, in Thousands)

	2015	2014	Change	
			Amount	%
Land	\$ 20,024	\$ 15,238	\$ 4,786	31.4%
Construction in Progress	586,146	561,436	24,710	4.4%
Interceptor Sewer Lines	980,720	945,578	35,142	3.7%
Buildings, Structures and Improvements and Equipment	458,264	406,407	51,857	12.8%
Sewage Treatment and Other Equipment	317,891	274,777	43,114	15.7%
Right to Use-Intangible	4,951	5,135	(184)	(3.6%)
Total	\$ 2,367,996	\$ 2,208,571	\$ 159,425	7.2%

NORTHEASTOHIO REGIONAL SEWER DISTRICT
Management's Discussion and Analysis

	Amount
Major Additions Placed into Service in 2015, at Cost Included:	
Southerly Primary Settling Tanks	\$ 47,653
Dugway West Interceptor Relief Sewer (Partially Introduced)	42,652
Easterly Facility Plan Aeration Grit Improvements	38,982
Westerly/Easterly Electrical Improvements	13,702
Southerly Gravity Thickener Improvements	10,529
Westerly Centrifuge Upgrade	5,794
Southerly Second Stage Return Sludge Pump Station Improvements	5,052
Easterly Primary Settling Tank Rehabilitation	3,457
EMSC Energy Conservation & Management	2,495
Superior Stones Canal CSO Improvements	2,215
	\$ 172,531

Debt Administration

At December 31, 2015, the District had total debt outstanding of \$1,617,836,213. This represents an increase of \$11,480,828 for total debt due to retirement of debt compared to 2014. Loans from the Ohio Water Development Authority Water Pollution Control Loan Fund increased \$28,242,352; total debt retirements were \$46,084,980. The carrying value of the long-term portion of debt at December 31, 2015 was \$1,564,756,988 and the fair value of the long-term debt was \$2,020,799,339.

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

Outstanding Debt at December 31,
(In Thousands)

	2015	2014
Revenue Bonds	\$ 1,120,058	\$ 1,136,819
Water Pollution Loans Payable	497,778	469,536
Total Debt	\$ 1,617,836	\$ 1,606,355

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, 2015, rates charged to District customers increased 12.1% to \$69.65 per mcf for City of Cleveland customers, and 11.2% to \$71.75 per mcf for the suburban customers. Also effective January 1, 2015, the fixed fee was increased to \$6.90 per quarter for all customers. 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Management's Discussion and Analysis

Contacting the District's Financial Management

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



NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statement of Net Position

December 31, 2015

Assets

	Amount
Current Assets:	
Cash	\$ 1,301,077
Stormwater Cash	20,940,156
Bond Proceeds Cash	691,122
Bond Proceeds Investments	220,476,597
Short-Term Investments	153,442,016
Sewage and Stormwater Service Fees Receivable, Less Allowance for Doubtful Accounts of \$23,100,000 in 2015	109,548,808
Receivables from Federal, State and Other Agencies	16,425,975
Inventory, Prepaid Expenses and Other	7,601,498
Total Current Assets	530,427,249
Noncurrent Assets:	
Capital Assets:	
Interceptor Sewer Lines	1,230,471,470
Buildings, Structures and Improvements and Equipment	914,939,632
Sewage Treatment and Other Equipment	558,188,055
Right to Use - Intangible	5,505,574
	2,709,104,731
Less: Accumulated Depreciation	(947,278,381)
	1,761,826,350
Land	20,024,113
Construction in Progress	586,145,438
Net Capital Assets	2,367,995,901
Long-Term Investments	125,384,438
Revenue Bond Debt Service Deposit	35,799,521
Net Pension Asset	206,196
Total Noncurrent Assets	2,529,386,056
Total Assets	3,059,813,305
Deferred Outflows of Resources:	
Pension	8,987,698
Deferred Charge on Bond Refunding	53,380
Total Deferred Outflows of Resources	9,041,078
Total Assets and Deferred Outflows of Resources	\$ 3,068,854,383

Continued

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statement of Net Position (Continued)

December 31, 2015

Liabilities and Net Position

	<u>Amount</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 5,631,617
Construction Contracts and Retainages Payable	21,916,828
Accrued Interest Payable	14,147,555
Other Accrued Liabilities	8,812,813
Current Maturities of Long-Term Debt	<u>53,079,225</u>
Total Current Liabilities	<u>103,588,038</u>
Noncurrent Liabilities:	
Long-Term Debt	1,564,756,988
Net Pension Liability	40,528,251
Other Accrued Long-Term Liabilities	<u>1,300,000</u>
Total Noncurrent Liabilities	<u>1,606,585,239</u>
Total Liabilities	<u>1,710,173,277</u>
Deferred Inflows of Resources:	
Pension	<u>774,921</u>
Net Position:	
Invested in Capital Assets, Net of Related Debt	786,650,331
Unrestricted	<u>571,255,854</u>
Total Net Position	<u>\$ 1,357,906,185</u>

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2015

	Amount
Operating Revenues:	
Billing Agents	\$ 257,994,693
Direct Billed	17,007,376
Other	5,428,088
Total Operating Revenues, Net	280,430,157
Operating Expenses:	
Salaries and Wages	47,918,213
Fringe Benefits	14,563,011
Utilities	16,284,328
Professional and Contractual Services	21,988,568
Other	3,725,796
Depreciation	62,825,528
Total Operating Expenses	167,305,444
Operating Income	113,124,713
Non-Operating Revenues (Expenses):	
Interest Revenue	2,526,049
Decrease in Fair Value of Investments, Net	(1,173,193)
Non-Operating Grant Revenue	1,383,547
Non-Operating Grant Expenses	(707,409)
Loss on Disposals of Equipment	(4,323,785)
Interest Expense on Long-Term Debt	(62,616,911)
Federal Subsidy Revenue	6,469,385
Total Non-Operating Revenues (Expenses), Net	(58,442,317)
Income Before Loss in Extraordinary Event	54,682,396
Loss - Information Technology Fire	(180,025)
Change in Net Position	54,502,371
Net Position at Beginning of Year - - Restated (See Note 3)	1,303,403,814
Net Position at End of Year	\$ 1,357,906,185

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statement of Cash Flow

For the Year Ended December 31, 2015

	Amount
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 254,673,997
Cash Payments to Suppliers for Goods and Services	(42,875,823)
Cash Payments to Employees for Services	(62,870,467)
Net Cash Provided by Operating Activities	148,927,707
Cash Flows From Investing Activities	
Purchases of Investments	(776,007,742)
Proceeds from Maturities of Investments	377,861,088
Interest on Investments	1,998,527
Net Cash Used by Investing Activities	(396,148,127)
Cash Flows From Non-Capital Financing Activities	
Grant Payments	(5,321)
Grants Received	61,398
Net Cash Provided by Non-Capital Financing Activities	56,077
Cash Flows From Capital and Related Financing Activities	
Principal Payments on Long-Term Debt	(46,084,980)
Interest Payments on Long-Term Debt	(68,117,626)
Proceeds from Water Pollution Control Loans	65,347,300
Proceeds of Sale and Settlements on Capital Acquisitions	50,599
Acquisition and Construction of Capital Assets	(235,204,582)
Net Cash Used by Capital and Related Financing Activities	(284,009,289)
Net Decrease in Cash, Stormwater Cash and Bond Proceeds Cash	(531,173,632)
Cash at Beginning of Year	145,928,422
Stormwater Cash at Beginning of Year	20,944,958
Bond Proceeds Cash at Beginning of Year	387,232,607
Cash at End of Year	\$ 22,932,355

Continued

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Statement of Cash Flow (Continued)

For the Year Ended December 31, 2015

	2015
Reconciliation of Operating Income to Cash Provided By	
Operating Activities:	
Operating Income	\$ 113,124,713
Adjustments to Reconcile Operating Income to Net Cash Provided by	
Operating Activities:	
Depreciation	62,825,528
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(5,711,202)
Allowance for Doubtful Accounts	900,000
Stormwater Liability	(20,944,958)
Deferred Outflows of Resources - Pension	(3,107,068)
Deferred Inflows of Resources - Pension	774,921
Net Pension Asset	(150,002)
Net Pension Liability	915,399
Inventory and Prepaid Expenses	(190,746)
Accounts Payable and Other Accrued Liabilities	491,122
Total Adjustments	35,802,994
Net Cash Provided by Operating Activities	\$ 148,927,707

**Supplemental Schedule of Non-Cash Investing, Capital and
Relating Financing Activities**

Long-Term Debt Recorded for Receivables from State Agencies in Connection with Water Pollution Control Loans	\$ (934,692)
Long-Term Debt Increased due to Accrued Construction Interest in Connection with Water Pollution Control Loans	\$ 1,485,075
Long-Term Debt Decreased due to Accrued Construction Principal Adjustment in Connection with Water Pollution Control Loans	\$ (820,350)
Capital Assets Decreased due to Capitalized Costs, Recorded Accounts Payable and Asset Reclassifications	\$ (8,529,282)
Decrease in Fair Value of Investments, Net	\$ (1,173,193)
Amortization of Bond Premium	\$ (7,511,525)

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

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 the Basic Financial Statements

December 31, 2015

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 statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flow.

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

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flow provides 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 the Basic Financial Statements

December 31, 2015

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 2015. 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 statement 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 the Basic Financial Statements

December 31, 2015

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, 2015 were \$2,020,799,339.

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, 2015, 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, the 2014 Series Wastewater Improvement Revenue Bonds and 2014 Wastewater Improvement Revenue Refunding 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, 2015 consisted of direct obligations of the United States Government, plus accrued interest.

Sewage and Stormwater Service Fees Receivable

Sewage and stormwater service fees receivable are shown net of an allowance for uncollectibles. The allowance is based on aged accounts receivable, historical collection rates, economic trends, and current year operating revenues. The allowance amount is \$23,100,000 at December 31, 2015.

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 the Basic Financial Statements

December 31, 2015

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 statement 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 Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the governmental-wide statement of net position for pension and deferred charge on refunding. The deferred outflows of resources related to pension are explained in Note 8. 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 statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the governmental-wide statement of net position and explained in Note 8.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Capital Contributions

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

Net Position

In the District financial statements, net position is categorized into three categories. The first is net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds, 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, 2015.

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, 2015 follows:

	<u>2015</u>
General Operating Reserve	\$ 25,782,743
Debt Service Reserve	35,799,521
Equipment Repair and Replacement Reserve	55,948,985
Insurance Reserve	22,769,392
Rate Stabilization Account	18,000,000
Capital Project Account	165,719,998

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

During 2015, the General Operating Reserve had a net decrease of \$48,755 due to an increase in transfers to the Capital Project Account. The Debt Service Reserve increased by \$6,513,652 due to the increase in total annual debt service. The Equipment Repair and Replacement Reserve increased \$131,835 due to interest revenue. The Insurance Reserve had a net increase of \$51,198 due interest allocation in this fund. Rate stabilization increased by \$6,000,000 due to available income. Capital project account increased by \$70,089,743 due to State Revolving Fund (SRF) loan proceeds, transfers from operating account and an increase in bond monies allocated to projects.

Revenues and Expenses

Operating revenues and expenses result from providing wastewater conveyance and treatment and stormwater services. Operating revenues consist of user charges for sewage and stormwater service fees. Sewage service fees are based on water consumption and stormwater service fees are based on the square footage of impervious surface area on a parcel of land. Operating revenues are shown net of bad debt expense of \$7,381,543 in 2015. Operating expenses include the cost of these sewer and stormwater services, including administrative expenses and depreciation on capital assets.

Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues and expenses include revenues and expenses from investing activities, capital and related financing activities, 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, 2015 are unbilled sewage service fees of \$34,990,462.

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 statement of revenues, expenses and changes in net position as incurred.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 2: Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Extraordinary Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District Administration and that are either unusual in nature or infrequent in occurrence.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 28, 2016, the date the financial statements were available to be issued.

Note 3 Restatement of Net Position

For 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>District Activities</u>
Net Position December 31, 2014	\$1,337,079,842
Adjustments:	
Net Pension Liability	(39,556,658)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>5,880,630</u>
Restated Net Position December 31, 2014	<u>\$1,303,403,814</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 4: 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, 2015, the carrying amount of the District's deposits, including certificates of deposit of \$1,776,325, was \$28,806,250 and the bank balance was \$28,544,407. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$28,044,408 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.

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, 2015 the District's investment balances and maturities were as follows:

Investment Type	Fair Value	% of Total	Maturities (in years)	
			Less than 1	1 through 5
U.S. Treasury Bills	\$ 201,313,739	38%	\$ 138,907,355	\$ 62,406,384
State Treasury Asset Reserve	111,109,549	21%	111,109,549	-
Federal National Mortgage Assoc.	76,187,121	14%	63,193,398	12,993,723
Federal Home Loan Mortgage Corp.	66,544,551	12%	26,536,992	40,007,559
Federal Home Loan Bank	49,982,614	9%	40,005,843	9,976,771
PNC Cash	10,024,966	2%	10,024,966	-
Forward Delivery Agreement/FNMA	8,090,782	2%	8,090,782	-
Guaranteed Investment Contracts	7,174,985	1%	-	7,174,985
Dreyfus Cash Management	2,897,940	1%	2,897,940	-
	<u>\$ 533,326,247</u>		<u>\$ 400,766,825</u>	<u>\$ 132,559,422</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 4: Deposits and Investments (continued)

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.

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, 2015, 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 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. The MBIA Guaranteed Investment Contract at the Bank of New York Mellon was rated B by Standard & Poor's and B3 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 \$192,714,286 has maturities of \$129,736,233 in less than one year and \$62,978,053 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 \$35,799,521 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 the Basic Financial Statements

December 31, 2015

Note 5: Transactions with the City of Cleveland

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

A summary of the billing and collection transactions between the City and the District for 2015 is as follows:

	<u>2015</u>
Amounts due from District customers at beginning of year for invoices rendered by the City	\$ 86,136,767
Amounts billed to District customers by the City during the year	224,742,762
Cash collected from District customers by the City and remitted to the District during the year	(215,177,330)
Write off of inactive accounts	(6,217,805)
Cash collected directly by the District on invoices rendered by the City and other adjustment	(1,670,672)
Balance due from customers at end of year, included in service fees receivable before allowance for doubtful accounts	<u>\$ 87,813,722</u>

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

Fees paid to the City for billing and collection services in 2015 were \$7,382,317, of which, \$790,701 is included in accounts payable on the District's statement of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 6: Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance December 31, 2014	Additions	Retirements	Transfers	Balance December 31, 2015
Non-depreciable Capital Assets:					
Land	\$ 15,238,255	\$ -	\$ (600)	\$ 4,786,458	\$ 20,024,113
Construction in Progress	561,436,307	222,500,812	-	(197,791,681)	586,145,438
Total Non-depreciable Capital Assets	<u>576,674,562</u>	<u>222,500,812</u>	<u>(600)</u>	<u>(193,005,223)</u>	<u>606,169,551</u>
Depreciable Capital Assets:					
Interceptor Sewer Lines	1,179,675,551	-	(2,604,687)	53,400,606	1,230,471,470
Buildings, Structures and Improvements and Equip.	840,824,454	240,357	(4,260,818)	78,135,639	914,939,632
Sewage Treatment and Other Equipment	501,079,296	3,853,409	(8,213,628)	61,468,978	558,188,055
Right to Use-Intangible (*)	5,505,574	-	-	-	5,505,574
Total Depreciable Capital Assets	<u>2,527,084,875</u>	<u>4,093,766</u>	<u>(15,079,133)</u>	<u>193,005,223</u>	<u>2,709,104,731</u>
Total Historical Cost	<u>3,103,759,437</u>	<u>226,594,578</u>	<u>(15,079,733)</u>	<u>-</u>	<u>3,315,274,282</u>
Less Accumulated Depreciation For:					
Interceptor Sewer Lines	(234,098,198)	(16,309,939)	656,946	-	(249,751,191)
Buildings, Structures and Improvements and Equip.	(434,417,176)	(24,844,259)	2,586,000	-	(456,675,435)
Sewage Treatment and Other Equipment	(226,301,544)	(21,487,961)	7,492,369	-	(240,297,136)
Right to Use-Intangible (*)	(371,250)	(183,369)	-	-	(554,619)
Total Accumulated Depreciation	<u>(895,188,168)</u>	<u>(62,825,528)</u>	<u>10,735,315</u>	<u>-</u>	<u>(947,278,381)</u>
Capital Assets, Net	<u>\$ 2,208,571,269</u>	<u>\$ 163,769,050</u>	<u>\$ (4,344,418)</u>	<u>\$ -</u>	<u>\$ 2,367,995,901</u>
Depreciation Expense Charged to Operating Expenses		<u>\$ 62,825,528</u>			

(*) During 2012, the District acquired an intangible asset due to an agreement with the City of Cleveland Department of Public Utilities Division of Cleveland Public Power. Per this agreement, the District has the right to use the power provided from the Nine Mile Creek substation, which was constructed by the District, but is owned by the City. The construction of the substation was completed in 2012 and capitalized; there were minor subsequent costs in the following years. The asset's original cost basis is \$5,505,574 as of December 31, 2015. Below is a schedule of the amounts to be expensed in future years:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 6: Capital Assets and Depreciation (continued)

Year Ending December 31,	Amortization of Intangible Asset
2016	\$ 183,369
2017	183,369
2018	183,369
2019	183,369
2020	183,369
2021-2025	916,843
2026-2030	916,843
2031-2035	916,843
2036-2040	916,843
2041-2043	366,738
	\$ 4,950,955

Note 7: Long-Term Obligations

A summary of long-term debt outstanding at December 31, 2015 follows:

	Interest Rate	2015
Wastewater Improvement Revenue		
Refunding Bonds, Series 2005:		
Serial Bonds Maturing 2015 through 2016	3.50%-5.00%	\$ 13,950,000
Wastewater Improvement Revenue		
Bonds, Series 2007:		
Serial Bonds Maturing 2015 through 2037	3.75%-5.00%	34,110,000
Wastewater Improvement Revenue		
Bonds, Series 2010:		
Serial Bonds Maturing 2026 through 2040	5.44%-6.04%	336,930,000
Wastewater Improvement Revenue		
Bonds, Series 2013:		
Serial Bonds Maturing 2020 through 2043	2.00%-5.00%	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		
Refunding Bonds, Series 2014B:		
Serial Bonds Maturing 2018 through 2033	4.00%-5.00%	68,460,000

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

	Interest Rate	2015
Water Pollution Control Loans Payable		
2016 through 2036	2.44%-5.20%	\$ 497,778,277
Total Debt		1,551,333,277
Less Current Maturities		(53,079,225)
Bond Premium, Net		66,502,936
Total Long-Term Debt		\$ 1,564,756,988

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 include all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on monies and investments comprising the Revenue Bond Debt Service Deposit.

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 include all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on the monies and investments in the Revenue Bond Debt Service Deposit.

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

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

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

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 include all revenues (with certain exceptions) derived by the District from its ownership and operation of the System, which comprises its wastewater collection and wastewater treatment and disposal facilities. The bonds are additionally secured by a pledge of and lien on the monies and investments in the Revenue Bond Debt Service Deposit.

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 2015 was \$6,469,385, which is a reduction of \$472,015 due to the recent sequester by Congress. The subsidy payment for 2016 also has been reduced by 6.8% in the amount of \$472,015 and all future subsidy payments have been reduced by 6.8% based on 2016 reductions. Future payments may also be reduced by Congress on an annual basis. Below is a schedule of the amounts expected to be received in future years:

Year Ending December 31,	Subsidy Amount
2016	\$ 6,469,385
2017	6,469,385
2018	6,469,385
2019	6,469,385
2020	6,469,385
2021-2025	32,346,928
2026-2030	31,070,181
2031-2035	24,382,549
2036-2040	11,129,397
	<u>\$ 131,275,980</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

Wastewater Improvement Revenue Bonds, Series 2013

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

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

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

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

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.

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. 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

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, 2015. 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, 2015 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 – 2014	52	\$ 314,502,138	\$ 0
2015 – 2018	7	183,276,139	32,444,149
		\$ 497,778,277	\$ 32,444,149

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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

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, 2015, \$7,515,000 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 statement 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 \$53,380 at December 31, 2015. 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, that portion of the 2007 series bonds is considered defeased, and the District has removed the liability from its accounts. As the result of refunding, total debt service payments were reduced over the next 19 years by \$6,908,449. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$4,966,923. As of December 31, 2015, \$68,460,000 of the portion of refunded debt remained outstanding. The Series 2007 Bonds are not subject to redemption at the option of the District prior to their stated maturity.

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, 2015 follows:

	Wastewater Improvement Revenue Refunding Bonds		Wastewater Improvement Revenue Bonds	
	Series 2005		Series 2007	
	Principal	Interest	Principal	Interest
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	-	-	-	1,268,325
2021-2025	-	-	-	6,341,625
2026-2030	-	-	-	6,341,625
2031-2035	-	-	13,470,000	6,045,300
2036-2040	-	-	14,715,000	1,000,575
	\$ 13,950,000	\$ 697,500	\$ 34,110,000	\$ 26,518,750

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

	Wastewater Improvement Revenue Bonds Series 2010		Wastewater Improvement Revenue Bonds Series 2013	
	Principal	Interest	Principal	Interest
	\$	\$	\$	\$
2016	-	13,363,188	-	12,171,900
2017	-	13,363,188	-	12,171,900
2018	-	13,363,188	-	12,171,900
2019	-	13,363,188	-	12,171,900
2020	-	13,363,188	4,515,000	12,171,900
2021-2025	-	66,815,940	10,910,000	59,193,650
2026-2030	49,530,000	64,178,686	26,005,000	55,327,250
2031-2035	108,885,000	50,364,687	40,555,000	47,966,250
2036-2040	178,515,000	22,988,926	87,125,000	34,804,250
2041-2045	-	-	80,425,000	8,305,000
	<u>\$ 336,930,000</u>	<u>\$ 271,164,179</u>	<u>\$ 249,535,000</u>	<u>\$ 266,455,900</u>

	Wastewater Improvement Revenue Bonds Series 2014A		Wastewater Improvement Revenue Refunding Bonds Series 2014B	
	Principal	Interest	Principal	Interest
	\$	\$	\$	\$
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	-	15,150,775	3,225,000	2,986,000
2021-2025	-	75,753,875	18,570,000	12,479,850
2026-2030	9,475,000	74,852,625	23,440,000	7,605,500
2031-2035	18,160,000	71,800,200	17,050,000	1,580,300
2036-2040	27,150,000	66,556,250	-	-
2041-2045	105,755,000	55,566,750	-	-
2046-2049	169,045,000	18,945,200	-	-
	<u>\$ 350,570,000</u>	<u>\$ 441,791,525</u>	<u>\$ 68,460,000</u>	<u>\$ 37,321,500</u>

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

Future Debt Service Requirements (continued)

	Water Pollution Control Loans		Total Future Debt Service Requirements	
	Principal	Interest	Principal	Interest
	2016	\$ 36,239,225	\$ 11,997,838	\$ 53,079,225
2017	35,237,020	12,205,820	52,272,020	58,548,720
2018	35,081,626	11,171,549	42,086,626	56,680,200
2019	35,464,375	10,594,845	41,619,375	55,753,246
2020	32,950,644	10,035,802	40,690,644	54,975,990
2021-2025	153,548,280	36,040,947	183,028,280	256,625,887
2026-2030	95,629,110	17,323,845	204,079,110	225,629,531
2031-2035	63,242,927	5,832,646	261,362,927	183,589,383
2036-2040	10,385,070	474,890	317,890,070	125,824,891
2041-2045	-	-	186,180,000	63,871,750
2046-2049	-	-	169,045,000	18,945,200
	<u>\$ 497,778,277</u>	<u>\$ 115,678,182</u>	<u>\$ 1,551,333,277</u>	<u>\$ 1,159,627,536</u>

Bond premium activity for the year is as follows:

	Balance	Amortized	Refunded	Issued	Balance
Bond Premium, Series 2005	\$ 130,767	\$ (81,230)	\$ -	\$ -	\$ 49,537
Bond Premium, Series 2007	591,129	(93,368)	-	-	497,761
Bond Premium, Series 2013	28,251,707	(2,523,475)	-	-	25,728,232
Bond Premium, Series 2014A	33,116,034	(3,096,111)	-	-	30,019,923
Bond Premium, Series 2014B	11,924,824	(1,717,341)	-	-	10,207,483
Total	<u>\$ 74,014,461</u>	<u>\$ (7,511,525)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,502,936</u>

Long-term debt activity for the year:

<u>December 31, 2015</u>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in 2016
Wastewater Improvement Revenue Refunding Bonds, Series 2005	\$ 20,445,000	\$ -	\$ (6,495,000)	\$ 13,950,000	\$ 13,950,000
Wastewater Improvement Revenue Bonds, Series 2007	36,865,000	-	(2,755,000)	34,110,000	2,890,000

continued

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 7: Long-Term Obligations (continued)

Long-term debt activity for the year (continued):

<u>December 31, 2015</u>	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in 2016
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	469,535,924	65,077,333	(36,834,980)	497,778,277	36,239,225
Net Pension Liability- OPERS	39,612,852	915,399	-	40,528,251	-
Total	<u>\$ 1,571,953,776</u>	<u>\$ 65,992,732</u>	<u>\$ (46,084,980)</u>	<u>\$ 1,591,861,528</u>	<u>\$ 53,079,225</u>

Note 8: Pension Plans

Net Pension Liability

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

Net Pension Liability (continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System

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

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

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0
Employee	10.0
2015 Actual Contribution Rates	
Employer:	
Pension	12.0
Post-employment Health Care Benefits	2.0
Total Employer	14.0
Employee	10.0

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$6,205,319 for 2015. Of this amount, \$1,018,764 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional	OPERS Combined	Total
Proportionate Share of the Net Pension Liability (Asset)	\$ 40,528,251	\$ (206,196)	\$ 40,322,055
Proportion of the Net Pension Liability (Asset)	0.336024%	0.5355430%	
Pension Expense	\$ 4,400,305	\$ 134,650	\$ 4,534,955

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	Total
Deferred Outflows of Resources			
District contributions subsequent to the measurement date	\$ 6,539,569	\$ 273,078	\$ 6,812,647
Net difference between projected and actual earnings on pension plan investments	2,162,465	12,586	2,175,051
Total Deferred Outflows of Resources	\$ 8,702,034	\$ 285,664	\$ 8,987,698
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 712,001	\$ 62,920	\$ 774,921

\$6,812,647 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

Year Ending December 31	OPERS Traditional	OPERS Combined	Total
2016	\$ 212,096	\$ (4,335)	\$ 207,761
2017	212,096	(4,335)	207,761
2018	485,655	(4,335)	481,320
2019	540,617	(4,335)	536,282
2020	-	(7,482)	(7,482)
2021-2024	-	(25,512)	(25,512)
Total	\$ 1,450,464	\$ (50,334)	\$ 1,400,130

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent	4.25 to 10.05 percent
COLA or Ad Hoc COLA	3 percent, simple	3 percent, simple
Investment Rate of Return	8 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

The most recent experience study was completed for the five year period ended December 31, 2010.

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 8: Pension Plans (continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's Proportionate Share of the Net Pension Liability - Traditional	\$ 74,560,365	\$ 40,528,251	\$ 11,865,007
District's Proportionate Share of the Net Pension Liability - Combined	\$ 26,777	\$ (206,196)	\$ (390,946)

Note 9: 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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 9: Post-Employment Benefits (continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For the District's employer units, the 2015 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 maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

District Contributions

The District's contributions to fund post-employment health care benefits for the years ended December 31, 2015, 2014 and 2013 are as follows:

	<u>Contribution Rate as a % of earnable salaries</u>	<u>2015</u>	<u>Contribution Rate as a % of earnable salaries</u>	<u>2014</u>	<u>Contribution Rate as a % of earnable salaries</u>	<u>2013</u>
By Statutory Authority	14.00%	\$6,674,213	14.00%	\$6,551,966	14.00%	\$6,163,542
Less Health Care Portion	2.00%	<u>(958,364)</u>	1.00%	<u>(935,621)</u>	4.00%	<u>(440,253)</u>
Required-Employer Contribution		<u>\$5,715,849</u>		<u>\$5,616,345</u>		<u>\$5,723,289</u>

For 2015, 85.6% has been contributed with the balance being reported as a payable. The full amount has been contributed for 2014 and 2013.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 10: Deferred Compensation Plans

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

The District follows the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans". In accordance with the provisions of GASB Statement No. 32, at December 31, 2015, the assets of both plans met the applicable trust requirements and are therefore excluded from the District's financial statements.

Note 11: Risk Management

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

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

	<u>Beginning</u> <u>Balance</u>	<u>Claims Paid</u>	<u>Increase in</u> <u>Estimate</u>	<u>Ending</u> <u>Balance</u>
2015	\$ 160,049	\$ (64,319)	\$ 28,342	\$ 124,072

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 statement of net position and the balance as of December 31, 2015 is estimated to be paid during the year ending December 31, 2016. The District's insurance reserve as of December 31, 2015 was \$22,769,392, and is included in short-term investments on the District's statement of net position.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 12: Commitments and Contingencies

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

In August 2009, the Board of Trustees approved to enter into a Project and Financing Agreement with the City of Pepper Pike for a maximum loan amount of \$1,715,000 at a simple interest rate of 3.5%. As of December 31, 2015, \$708,567 is included in the receivables from Federal, State and other agencies on the accompanying statement 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 \$348,363 as other accrued liabilities on the accompanying statement of net position as of December 31, 2015.

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, 2015, 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 the Basic Financial Statements

December 31, 2015

Note 12: 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 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.

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.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 12: Commitments and Contingencies (continued)

Regional Stormwater Management Program Litigation (continued)

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.

The Ohio Supreme Court ruled in favor of the District and stated the District is authorized to manage stormwater and to impose a fee for this purpose (see *Northeast Ohio Regional Sewer Dist. v. Bath Twp.*, Slip Opinion No. 2015-Ohio-3705). With this litigation resolved, the District has restarted its Regional Stormwater Management Program.

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.

In light of the Ohio Supreme Court's ruling in favor of the District, this action has been dismissed and the funds held in escrow have been released to the District.

Other Litigation

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

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

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, 2015 consisted of the following:

	Level 1	Level 2	Level 3	Total at 12/31/2015
<u>Bond Proceeds</u>				
Fixed Income Securities	\$ -	\$ 106,669,083	\$ -	\$ 106,669,083
U.S. Gov't Obligations	-	103,782,548	-	103,782,548
PNC Cash	10,024,966	-	-	10,024,966
<u>Short -Term Investments</u>				
Money Market Funds	111,109,549	-	-	111,109,549
CDs	1,776,324	-	-	1,776,324
Fixed Income Securities	-	23,067,150	-	23,067,150
U.S. Gov't Obligations	-	17,488,993	-	17,488,993
<u>Long-Term Investments</u>				
Fixed Income Securities	-	62,978,054	-	62,978,054
U.S. Gov't Obligations	-	62,406,384	-	62,406,384
<u>Revenue Debt Service Fund</u>				
Money Market Funds	2,897,940	-	-	2,897,940
Fixed Income Securities	-	32,901,581	-	32,901,581
	\$ 125,808,779	\$ 409,293,793	\$ -	\$ 535,102,572

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Notes to the Basic Financial Statements

December 31, 2015

Note 14: Changes in Accounting Principles

For the year ended December 31, 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability, net pension asset, pension revenue and pension expense components on the full-accrual financial statements. See Note 3 for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 3 for the effect on net position as previously reported.

Note 15: Subsequent Event

On March 24, 2016, the District issued \$25,015,000 in Wastewater Improvement Revenue Refunding Bonds to refund a portion of the 2007 Wastewater Improvement Revenue Bonds previously issued on May 22, 2007 of \$23,700,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments on the refunded portion of the series 2007 wastewater improvement bonds.



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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
User Charges:				
Billed	\$ 234,963,768	\$ 234,963,768	\$ 270,925,792	\$ 35,962,024
Unbilled	3,509,297	3,509,297	4,076,277	566,980
Other Revenue	4,673,080	4,673,080	5,428,088	755,008
Total Revenues	243,146,145	243,146,145	280,430,157	37,284,012
Expenses:				
Salary and Wages	50,545,769	50,545,769	47,918,213	2,627,556
Fringe Benefits	15,748,738	15,748,738	14,563,011	1,185,727
Power	10,795,100	10,795,100	12,072,308	(1,277,208)
Materials and Supplies	5,355,813	5,355,813	5,676,639	(320,826)
Collection Fees	7,849,910	7,849,910	7,870,531	(20,621)
Gas	2,459,887	2,459,887	1,818,054	641,833
Chemicals	3,283,919	3,283,919	2,865,628	418,291
Repairs and Maintenance	3,049,283	3,049,283	3,154,329	(105,046)
Solids Handling	2,201,946	2,201,946	1,170,548	1,031,398
Water	1,318,790	1,318,790	977,437	341,353
Professional Services	6,650,976	6,650,976	6,004,935	646,041
Insurance	940,000	940,000	778,421	161,579
Judgements and Awards	190,000	190,000	12,446	177,554
Other Operating Expenses	10,079,047	10,079,047	8,340,771	1,738,276
Capitalized Construction Costs	(9,000,000)	(9,000,000)	(8,743,355)	(256,645)
Depreciation	53,344,774	53,344,774	62,825,528	(9,480,754)
Total Operating Expenses	164,813,952	164,813,952	167,305,444	(2,491,492)
Excess of Revenues Over Operating Expenses	\$ 78,332,193	\$ 78,332,193	\$ 113,124,713	\$ 34,792,520

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, 2015

Reconciliation to Change in Net Position:

Excess of Operating Revenues Over Operating Expenses	\$	113,124,713
Interest Revenue		2,526,049
Decrease in Fair Value of Investments, Net		(1,173,193)
Non-Operating Grant Revenue		1,383,547
Non-Operating Grant Expenses		(707,409)
Loss on Disposals of Equipment		(4,323,785)
Interest Expense on Long-Term Debt		(62,616,911)
Federal Subsidy Revenue		6,469,385
Income Before Extraordinary Item		<u>54,682,396</u>
Loss - Information Technology Fire		<u>(180,025)</u>
Change in Net Position		54,502,371
Net Position at Beginning of Year - - Restated (See Note 3)		<u>1,303,403,814</u>
Net Position at End of Year	\$	<u><u>1,357,906,185</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, 2015

Note 1: Summary of Significant Accounting Policies

Budgetary Basis of Accounting

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

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

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



NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Two Years (1)

Traditional Plan	2014	2013
District's Proportion of the Net Pension Liability	0.336024%	0.336024%
District's Proportionate Share of the Net Pension Liability	\$ 40,528,251	\$ 39,612,852
District's Covered-Employee Payroll	\$ 48,528,228	\$ 42,139,663
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	83.51%	94.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	N/A
Combined Plan	2014	2013
District's Proportion of the Net Pension Asset	0.535543%	0.535543%
District's Proportionate Share of the Net Pension Asset	\$ 206,196	\$ 56,194
District's Covered-Employee Payroll	\$ 2,233,128	\$ 1,939,145
District's Proportionate Share of the Net Pension Asset as a Percentage of Its Covered-Employee Payroll	9.23%	2.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	N/A

(1) Information prior to 2013 is not available.

NORTHEAST OHIO REGIONAL SEWER DISTRICT

Required Supplementary Information

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contributions	\$ 5,932,293	\$ 5,823,387	\$ 5,478,156	\$ 5,244,880	\$ 4,944,124
Contributions in Relation to Contractually Required Contributions	(5,932,293)	(5,823,387)	(5,478,156)	(5,244,880)	(4,944,124)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered-Employee Payroll	\$ 49,435,775	\$ 48,528,228	\$ 42,139,663	\$ 52,448,799	\$ 49,441,242
Contribution as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%	10.00%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contributions	\$ 4,839,569	\$ 4,726,331	\$ 4,418,715	\$ 4,278,464	\$ 4,103,055
Contributions in Relation to Contractually Required Contributions	(4,839,569)	(4,726,331)	(4,418,715)	(4,278,464)	(4,103,055)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered-Employee Payroll	\$ 53,772,993	\$ 55,603,893	\$ 63,124,493	\$ 51,239,086	\$ 44,598,429
Contribution as a Percentage of Covered-Employee Payroll	9.00%	8.50%	7.00%	8.35%	9.20%

NORTHEAST OHIO REGIONAL SEWER DISTRICT

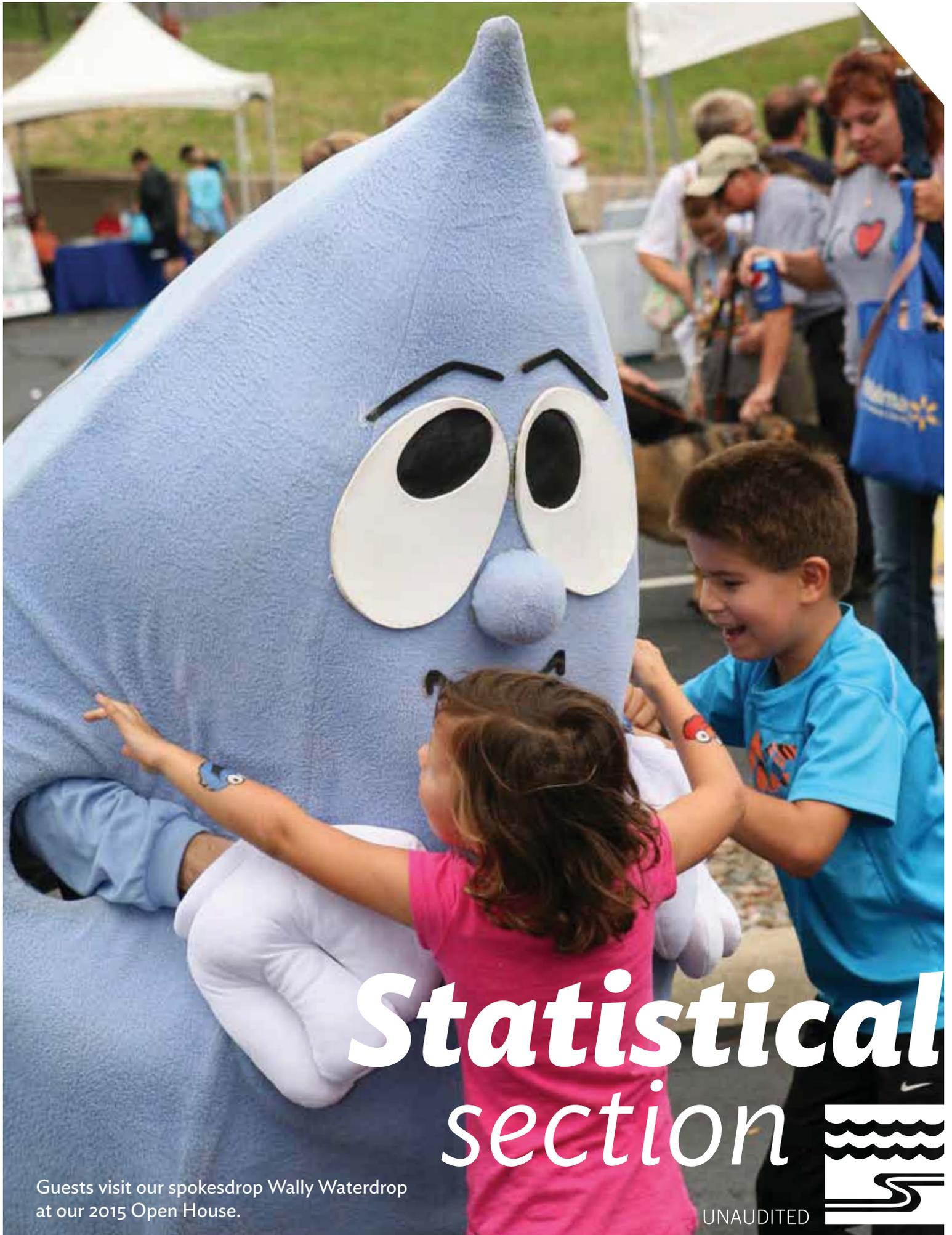
Required Supplementary Information

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

For the Last Ten Years

	2015	2014	2013	2012	2011
Contractually Required Contributions	\$ 273,026	\$ 267,975	\$ 252,089	\$ 241,354	\$ 227,514
Contributions in Relation to Contractually Required Contributions	(273,026)	(267,975)	(252,089)	(241,354)	(227,514)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 2,275,217	\$ 2,233,128	\$ 1,939,145	\$ 2,413,542	\$ 2,275,143
Contribution as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%	10.00%

	2010	2009	2008	2007	2006
Contractually Required Contributions	\$ 222,703	\$ 217,492	\$ 203,336	\$ 196,882	\$ 188,811
Contributions in Relation to Contractually Required Contributions	(222,703)	(217,492)	(203,336)	(196,882)	(188,811)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 2,474,477	\$ 2,558,730	\$ 2,904,806	\$ 2,357,874	\$ 2,052,290
Contribution as a Percentage of Covered-Employee Payroll	9.00%	8.50%	7.00%	8.35%	9.20%



Statistical section

Guests visit our spokesdrop Wally Waterdrop at our 2015 Open House.

UNAUDITED



STATISTICAL SECTION (UNAUDITED)

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand the District’s financial performance and well-being and how they have changed over time.</i>	62
Revenue Capacity <i>These schedules contain information to help the reader assess the District’s most significant revenue source, user charges.</i>	66
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>	74
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>	76
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>	78
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>	86

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>2015</u>	<u>Restated 2014(***)</u>	<u>2013</u>	<u>Restated 2012 (**)</u>
Net Investment in Capital Assets	\$ 786,650,331	\$ 1,018,734,360	\$ 1,067,650,046	\$ 1,065,405,939
Unrestricted	<u>571,255,854</u>	<u>284,669,454</u>	<u>248,677,688</u>	<u>235,652,225</u>
Total	<u>\$ 1,357,906,185</u>	<u>\$ 1,303,403,814</u>	<u>\$ 1,316,327,734</u>	<u>\$ 1,301,058,164</u>

Note:

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

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

(**) 2014 restated to comply with GASB 68.

Source: District accounting records.

<u>Restated 2011 (**)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007 (*)</u>	<u>2006 (*)</u>
\$ 1,055,247,281	\$ 1,038,270,319	\$ 1,006,102,174	\$ 995,487,741	\$ 978,861,950	\$ 980,197,219
<u>238,611,550</u>	<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><u>\$ 1,293,858,831</u></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>

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

	2015	2014	2013	2012 (5)
<u>Operating Revenues, Net</u>				
Billing Agents	\$ 257,994,693	\$ 220,621,174	\$ 192,601,300	\$ 171,056,663
Direct Billed	17,007,376	17,685,946	16,227,994	14,832,256
Other (1)	5,428,088	878,279	960,830	1,352,457
Total Operating Revenues, Net	<u>280,430,157</u>	<u>239,185,399</u>	<u>209,790,124</u>	<u>187,241,376</u>
<u>Operating Expenses</u>				
Salaries and Wages	47,918,213	46,226,508	43,889,545	41,255,137
Fringe Benefits	14,563,011	14,610,845	14,203,943	13,657,026
Utilities	16,284,328	15,267,723	14,898,125	13,979,812
Professional and Contractual Services	21,988,568	22,286,370	24,747,308	21,827,170
Other (1)	3,725,796	3,807,036	2,155,767	3,387,828
Depreciation	62,825,528	57,171,918	50,179,846	51,187,381
Total Operating Expenses	<u>167,305,444</u>	<u>159,370,400</u>	<u>150,074,534</u>	<u>145,294,354</u>
Operating Income	113,124,713	79,814,999	59,715,590	41,947,022
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue	2,526,049	993,560	1,879,311	2,827,947
(Decrease) Increase in Fair Value of Investments, Net	(1,173,193)	295,828	(417,004)	(888,925)
Non-Operating Grant Revenue (1)	1,383,547	1,304,233	1,383,517	758,941
Non-Operating Grant Expenses (1)	(707,409)	(4,259,001)	(1,520,478)	(758,941)
Other Non-Operating (Expenses) Revenues (2)	-	-	-	-
Proceeds on Insurance Claims (3)	-	-	-	792,245
Loss on Disposals of Equipment	(4,323,785)	(3,913,066)	(340,588)	(622,504)
Loss on Extraordinary Event	(180,025)	-	-	-
Interest Expense on Long-Term Debt	(62,616,911)	(59,922,594)	(51,757,865)	(44,717,920)
Federal Subsidy Revenue (4)	6,469,385	6,438,149	6,327,087	6,941,401
Total Non-Operating Revenues (Expenses), Net	<u>(58,622,342)</u>	<u>(59,062,891)</u>	<u>(44,446,020)</u>	<u>(35,667,756)</u>
Capital Contributions	-	-	-	920,067
Change in Net Position	<u>\$ 54,502,371</u>	<u>\$ 20,752,108</u>	<u>\$ 15,269,570</u>	<u>\$ 7,199,333</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 7.

(5) Restated to comply with GASB 65.

Source: District accounting records.

2011 (5)	2010	2009	2008	2007	2006
\$ 155,342,800	\$ 150,703,554	\$ 151,132,069	\$ 147,605,404	\$ 145,221,599	\$ 135,732,973
16,275,002	14,663,082	12,697,756	13,832,074	13,062,958	13,220,817
1,104,565	1,484,110	946,537	833,463	769,744	1,200,272
<u>172,722,367</u>	<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>
39,190,544	38,061,309	37,024,254	35,102,015	33,724,279	33,021,551
12,939,019	12,747,900	11,714,646	11,493,925	10,732,240	11,225,384
15,511,558	16,042,200	18,924,173	20,632,885	18,893,296	17,814,509
18,766,341	23,034,225	17,696,366	18,727,176	14,808,434	14,076,004
3,907,002	7,392,509	8,194,326	5,757,037	7,046,216	6,917,693
47,271,807	46,061,584	45,410,351	44,448,564	43,261,151	40,093,478
<u>137,586,271</u>	<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>
35,136,096	23,511,019	25,812,246	26,109,339	30,588,685	27,005,443
3,825,074	3,292,522	7,240,399	11,714,888	12,417,477	8,645,525
(150,665)	(19,034)	(3,874,343)	2,332,208	3,157,199	1,774,960
676,833	1,731,894	1,430,784	1,592,151	35,430	-
(676,833)	(1,731,894)	(1,430,784)	(1,204,204)	(940,016)	-
-	-	(3,000,000)	-	-	-
621,938	-	-	-	-	-
(1,020,704)	(45,657)	(2,013,698)	(180,689)	(468,601)	(4,216,914)
(1,188,489)	-	-	-	-	-
(43,019,109)	(26,583,173)	(24,598,935)	(24,602,346)	(24,428,793)	(20,641,227)
6,912,478	858,034	-	-	-	-
<u>(34,019,477)</u>	<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>
6,161,822	9,437,876	3,963,079	-	-	6,359,637
<u>\$ 7,278,441</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>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Operating Revenues, Net</u>				
Sewer and Stormwater Service Fees				
City of Cleveland Billing Agent	\$ 242,170,836	\$ 206,720,248	\$ 179,391,021	\$ 159,114,027
Other Billing Agents	15,823,857	13,900,926	13,210,279	11,942,636
Other Sewer and Stormwater Service Fees	17,007,376	17,685,946	16,227,994	14,832,256
Other Operating Revenue	<u>5,428,088</u>	<u>878,279</u>	<u>960,830</u>	<u>1,352,457</u>
Total Operating Revenues, Net	280,430,157	239,185,399	209,790,124	187,241,376
<u>Non-Operating Revenues</u>				
Interest Revenue	2,526,049	993,560	1,879,311	2,827,947
(Decrease) Increase in Fair Value of Investments, Net	(1,173,193)	295,828	(417,004)	(888,925)
Proceeds from Insurance Claim (1)	-	-	-	792,245
Federal Subsidy Revenue (2)	6,469,385	6,438,149	6,327,087	6,941,401
Non-Operating Grant Revenue (3)	<u>1,383,547</u>	<u>1,304,233</u>	<u>1,383,517</u>	<u>758,941</u>
Total Non-Operating Revenues (3)	9,205,788	9,031,770	9,172,911	10,431,609
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,067</u>
Total Revenues	<u>\$ 289,635,945</u>	<u>\$ 248,217,169</u>	<u>\$ 218,963,035</u>	<u>\$ 198,593,052</u>

(1) Proceeds from Southerly Flood event.

(2) Beginning in 2010 Reclassified Build America Bonds Subsidy. Refer to Note 7.

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

Source: District accounting records.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 144,326,900	\$ 140,059,765	\$ 141,082,193	\$ 137,760,081	\$ 135,185,688	\$ 123,897,778
11,015,900	10,643,789	10,049,876	9,845,323	10,035,911	11,835,195
16,275,002	14,663,082	12,697,756	13,832,074	13,062,958	13,220,817
<u>1,104,565</u>	<u>1,484,110</u>	<u>946,537</u>	<u>833,463</u>	<u>769,744</u>	<u>1,200,272</u>
172,722,367	166,850,746	164,776,362	162,270,941	159,054,301	150,154,062
3,825,074	3,292,522	7,240,399	11,714,888	12,417,477	8,645,525
(150,665)	(19,034)	(3,874,343)	2,332,208	3,157,199	1,774,960
621,938	-	-	-	-	-
6,912,478	858,034	-	-	-	-
<u>676,833</u>	<u>1,731,894</u>	<u>1,430,784</u>	<u>1,592,151</u>	<u>35,430</u>	<u>-</u>
11,885,658	5,863,416	4,796,840	15,639,247	15,610,106	10,420,485
<u>6,161,822</u>	<u>9,437,876</u>	<u>3,963,079</u>	<u>-</u>	<u>-</u>	<u>6,359,637</u>
<u><u>\$ 190,769,847</u></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>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Salaries and Wages	\$ 47,918,213	\$ 46,226,508	\$ 43,889,545	\$ 41,255,137
Fringe Benefits	14,563,011	14,610,845	14,203,943	13,657,026
Power	12,072,308	10,247,703	9,400,085	8,068,363
Materials and Supplies	5,676,639	4,882,158	4,075,901	5,056,453
Collection Fees	7,870,531	7,753,358	7,812,254	6,725,143
Gas	1,818,054	2,710,438	3,318,117	3,825,221
Chemicals	2,865,628	3,152,662	1,931,902	1,641,550
Repairs and Maintenance	3,154,329	3,310,824	2,762,386	2,078,341
Solids Handling	1,170,548	2,315,896	1,446,497	1,825,201
Water	977,437	1,096,667	1,260,155	1,191,439
Professional Services	6,004,935	6,468,485	10,553,455	8,917,796
Insurance	778,421	858,861	821,442	779,453
All Other Expenses (*)	8,353,217	7,940,886	6,774,159	6,592,367
Capitalized Construction Costs	(8,743,355)	(9,376,809)	(8,355,153)	(7,506,517)
Depreciation	62,825,528	57,171,918	50,179,846	51,187,381
Total Operating Expenses	<u>\$ 167,305,444</u>	<u>\$ 159,370,400</u>	<u>\$ 150,074,534</u>	<u>\$ 145,294,354</u>

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

Source : District accounting records.

2011	2010	2009	2008	2007	2006
\$ 39,190,544	\$ 38,061,309	\$ 37,024,254	\$ 35,102,015	\$ 33,724,279	\$ 33,021,551
12,939,019	12,747,900	11,714,646	11,493,925	10,732,240	11,225,384
9,258,484	9,879,693	10,591,495	11,101,067	10,087,278	9,698,130
4,564,897	4,729,166	4,190,172	4,261,239	4,498,829	4,467,163
5,975,072	5,805,347	5,725,215	5,435,973	5,558,472	5,577,407
4,254,679	4,292,298	6,600,201	7,801,361	7,094,373	6,411,117
1,329,150	1,293,973	1,615,452	1,268,036	1,523,535	1,419,372
2,440,310	2,901,283	2,362,155	3,036,704	4,008,618	3,109,610
847,246	2,190,398	1,831,793	861,768	1,462,056	1,282,171
1,147,687	1,054,989	1,007,356	1,021,701	1,070,362	1,036,930
8,407,259	11,998,519	7,886,179	8,991,475	4,469,991	4,083,289
1,227,736	1,161,822	997,672	1,097,763	1,120,774	1,139,139
4,506,935	5,107,521	5,466,842	3,758,449	3,624,958	4,262,270
(5,774,554)	(3,946,075)	(3,459,667)	(3,518,438)	(3,771,300)	(3,678,392)
47,271,807	46,061,584	45,410,351	44,448,564	43,261,151	40,093,478
<u>\$ 137,586,271</u>	<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>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
COMMUNITIES SERVED BY THE DISTRICT AND
ESTIMATED POPULATION SERVED
DECEMBER 31, 2015**

Municipality	Estimated Service Population ⁽¹⁾	Municipality	Estimated Service Population ⁽¹⁾
SUBDISTRICT 1			
Cleveland City	410,838		
SUBDISTRICT 2		SUBDISTRICT 2	
Bath Township	- ⁽³⁾	Middleburg Heights City	16,463
Beachwood City	14,456	Moreland Hills Village	3,320 ⁽²⁾
Bedford City	- ⁽³⁾	Newburgh Heights Village	2,441
Bedford Heights City	- ⁽³⁾	North Randall Village	749
Berea City	18,130	North Royalton City	7,044 ⁽²⁾
Boston Heights Village	630 ⁽²⁾	Northfield Center Township	4,482
Bratenahl Village	1,254	Northfield Village	3,991
Brecksville City	15,703	Oakwood Village	3,152 ⁽²⁾
Broadview Heights City	20,053 ⁽²⁾	Olmsted Falls City	9,223 ⁽²⁾
Brook Park City	17,577	Olmsted Township	7,484 ⁽²⁾
Brooklyn City	10,949	Orange Village	580 ⁽²⁾
Brooklyn Heights Village	1,693	Parma City	78,613
Cleveland Heights City	42,497	Parma Heights City	21,234
Columbia Township	952 ⁽²⁾	Pepper Pike City	2,084 ⁽²⁾
Cuyahoga Heights Village	434	Richfield Township	1,203 ⁽²⁾
East Cleveland City	16,224	Richfield Village	3,583 ⁽²⁾
Euclid City	1,876 ⁽²⁾	Richmond Heights City	3,919 ⁽²⁾
Garfield Heights City	27,845	Sagamore Hills Township	8,416
Gates Mills Village	313 ⁽²⁾	Seven Hills City	11,182
Glenwillow Village	- ⁽²⁾	Shaker Heights City	25,834
Highland Heights City	11,160	Solon City	174 ⁽²⁾
Highland Hills Village	1,020	South Euclid City	22,094 ⁽²⁾
Hudson City	9,951 ⁽²⁾	Strongsville City	30,528 ⁽²⁾
Independence City	7,936	Twinsburg City	- ⁽²⁾
Lakewood City	- ⁽³⁾	Twinsburg Township	217 ⁽²⁾
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	- ⁽³⁾
Mayfield Village	3,261		
		Total Subdistrict 2	585,733
Total Estimated Service Population			996,571

(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, 2015
and NINE YEARS PRIOR**

	2015			
	CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
<u>SUBDISTRICT 1</u>				
Cuyahoga Metropolitan Housing Agency (2)	67,338.6	\$ 4,707,395	1	1.7%
City of Cleveland Water Filtration Plants	35,280.8	2,939,825	2	1.0%
Case Western Reserve University	18,028.0	1,228,096	4	0.4%
Cuyahoga County (2)	16,328.5	1,131,691	5	0.4%
University Hospitals	15,481.7	1,052,835	6	0.4%
Cleveland Clinic (2)	12,122.1	830,201	7	0.3%
Arcelor Mittal Steel (ISG Cleveland)	6,778.0	793,176	9	0.3%
Cleveland Board of Education	9,427.2	649,434	11	0.2%
Ferro Corporation (2)	9,860.1	574,285	12	0.2%
MetroHealth Medical Centers	7,705.8	526,947	14	0.2%
Cleveland State University	5,639.0	390,226	15	0.1%
HydroChem (Inland Waters of Ohio)	3,641.4	387,965	16	0.1%
Sherwin Williams (2)	4,056.8	282,749	19	0.1%
Cleveland Metroparks Zoo	2,523.9	198,454	22	0.1%
Veterans Administration Hospitals (2)	2,385.8	160,479	24	0.1%
Property Management Rental	-	-	-	0.0%
Holiday Inn	-	-	-	0.0%
Columbus Road Realty	-	-	-	0.0%
General Electric Company	-	-	-	0.0%
Dominion Cleveland Thermal Energy Corporation	-	-	-	0.0%
Total Subdistrict 1	216,597.7	15,853,758		5.6%
<u>SUBDISTRICT 2</u>				
Aluminum Corporation of America (ALCOA)	21,167.3	1,507,281	3	0.5%
Forest City Management (2)	11,765.7	829,392	8	0.3%
Eaton Estates / Nagy Park	9,761.3	728,554	10	0.3%
NASA John H Glenn Research Center	7,900.0	566,853	13	0.2%
Ford Motor Corporation	4,788.4	348,535	17	0.1%
Charter Steel	4,827.9	344,343	18	0.1%
Cuyahoga County Community College (2)	3,245.1	226,991	20	0.1%
Brooklyn Acres Homes (2)	2,871.2	209,443	21	0.1%
Zehman & Wolfe Management	2,646.3	184,968	23	0.1%
General Motors Corporation	-	-	-	0.0%
The Pearl Management Company	-	-	-	0.0%
Total Subdistrict 2	68,973.2	4,946,360		1.8%
Grand Total	285,570.9	\$ 20,800,118		7.4%

(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.

2006

CONSUMPTION MCF (1)	AMOUNT BILLED	RANK	PERCENTAGE OF OPERATING REVENUE
108,455.7	\$ 3,918,588	1	2.6%
32,338.4	1,273,761	5	0.8%
26,522.4	964,857	8	0.6%
21,508.8	784,054	12	0.5%
23,026.9	817,305	11	0.5%
45,295.5	1,637,735	3	1.1%
34,731.1	1,290,943	4	0.9%
23,362.3	845,713	10	0.6%
20,092.1	716,920	13	0.5%
18,608.2	674,044	14	0.4%
11,756.2	447,309	16	0.3%
-	-	-	0.0%
-	-	-	0.0%
-	-	-	0.0%
8,583.1	307,642	17	0.2%
5,589.6	202,142.0	21	0.1%
5,725.1	190,401	22	0.1%
6,466.5	229,764.0	18	0.2%
6,347.2	227,966.0	19	0.2%
22,775.0	861,814	9	0.6%
421,183.1	15,390,958		10.2%
34,564.4	1,149,661	6	0.8%
16,503.2	556,386	15	0.4%
-	-	-	0.0%
31,742.5	1,034,669	7	0.7%
62,091.0	2,043,426	2	1.4%
-	-	-	0.0%
-	-	-	0.0%
-	-	-	0.0%
6,408.0	211,241	20	0.1%
5,579.0	181,694	23	0.1%
5,553.0	179,087	24	0.1%
162,441.1	5,356,164		3.6%
583,624.2	\$ 20,747,122		13.8%

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

Debt by Type, In Thousands	2015	2014	2013	2012
Revenue Bond Issues				
\$68,280 Series 2005 (A)	\$ 13,950	\$ 20,445	\$ 26,635	\$ 32,525
\$126,055 Series 2007 (B) (F)	34,110	36,865	112,430	114,930
\$336,930 Series 2010 (C)	336,930	336,930	336,930	336,930
\$249,535 Series 2013 (D)	249,535	249,535	249,535	-
\$350,570 Series 2014A (E)	350,570	350,570	-	-
\$68,460 Series 2014B (F)	68,460	68,460	-	-
Total Revenue Bond Issues	1,053,555	1,062,805	725,530	484,385
Bond Premium		74,014	2,299	2,646
Total Revenue Bonds	1,053,555	1,136,819	727,829	487,031
Ohio Water Development Authority Loans	-	-	-	-
Water Pollution Control Loans	497,778	469,536	468,816	470,471
Total All Debt	<u>\$ 1,551,333</u>	<u>\$ 1,606,355</u>	<u>\$ 1,196,645</u>	<u>\$ 957,502</u>
Number of Customer Accounts (1)	326,496	326,555	326,720	326,412
Outstanding Debt Per Customer Account	\$ 4,751	\$ 4,919	\$ 3,663	\$ 2,933

(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)	312,837	313,021	313,284	313,294
Less Master Meter Communities	(3)	(3)	(3)	(3)
Add estimated number of customers in Master Meter Communities	13,662	13,537	13,439	13,121
Number of Customer Accounts	<u>326,496</u>	<u>326,555</u>	<u>326,720</u>	<u>326,412</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 7 to the Audited Financial Statements for December 31, 2015.

(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.

2011	2010	2009	2008	2007	2006
\$ 38,190	\$ 43,660	\$ 48,925	\$ 53,985	\$ 58,850	\$ 63,525
117,330	119,645	121,865	124,000	126,055	-
336,930	336,930	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
492,450	500,235	170,790	177,985	184,905	63,525
3,046	3,507	4,044	4,684	2,255	2,962
495,496	503,742	174,834	182,669	187,160	66,487
-	-	-	-	194	573
478,272	435,356	411,544	417,080	418,262	417,777
<u>\$ 973,768</u>	<u>\$ 939,098</u>	<u>\$ 586,378</u>	<u>\$ 599,749</u>	<u>\$ 605,616</u>	<u>\$ 484,837</u>
323,567	315,794	319,629	328,856	334,850	325,389
\$ 3,009	\$ 2,974	\$ 1,835	\$ 1,824	\$ 1,809	\$ 1,490
309,820	302,838	306,791	311,937	318,515	308,769
(3)	(3)	(3)	(3)	(4)	(4)
13,750	12,959	12,841	16,922	16,339	16,624
<u>323,567</u>	<u>315,794</u>	<u>319,629</u>	<u>328,856</u>	<u>334,850</u>	<u>325,389</u>

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

Cuyahoga County				
Year	Estimated Population (1)	Unemployment Rate (2)	Total Personal Income (000's) (3)	Per Capita Personal Income (3)
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	6.4%	61,128,130	48,521
2015	1,255,921	5.0%	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, 2015
and NINE YEARS PRIOR**

Employer Name (1)	2015				2006			
	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)	
			12-31-2015	Employment (2)			12-31-2006	Employment (2)
Cleveland Clinic Health System	35,291	1	5.04%		28,461	1	4.54%	
University Hospitals	19,907	2	2.84%		15,904	2	2.54%	
U.S. Office of Personnel Management	14,382	3	2.06%		9,172	4	1.46%	
Progressive Corp.	9,330	4	1.33%		8,796	5	1.40%	
Giant Eagle, Inc.	9,016	5	1.29%		- (3)	-	-	
State of Ohio	9,003	6	1.29%		- (3)	-	-	
United States Postal Service	8,478	7	1.21%		- (3)	-	-	
Cuyahoga County	7,772	8	1.11%		9,295	3	1.48%	
Cleveland Municipal School District	7,203	9	1.03%		7,442	7	1.19%	
City of Cleveland	6,666	10	0.95%		8,327	6	1.33%	
Key Corp.	-	-	-		6,615	8	1.06%	
National City Corp.	-	-	-		6,563	9	1.05%	
Metro Health System	-	-	-		5,627	10	0.89%	
Total	127,048		18.15%		106,202		16.94%	
Total Cuyahoga County Employment (2)			699,724				626,700	

* Full-Time Equivalent.

(1) Sources are *Crain's Cleveland Business*, December 2015 and March, 2006.

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 2006, 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>TREATMENT PLANT FLOW</u>				
Billions of gallons of sewage treated per plant:				
Easterly	29.4	32.2	31.7	32.9
Southerly	47.7	47.2	44.0	39.1
Westerly	9.7	10.3	9.9	9.9
Total	<u>86.8</u>	<u>89.7</u>	<u>85.6</u>	<u>81.9</u>
Total sewage treated, in MCFs (1)	<u>11,604,278</u>	<u>11,991,979</u>	<u>11,443,850</u>	<u>10,949,198</u>
MCFs billed, total District (5)	<u>3,665,500</u>	<u>3,739,178</u>	<u>3,709,188</u>	<u>3,895,816</u>
<u>STAFFING LEVELS</u>				
Number of employees:				
Plant Operations and Maintenance (4)	410	363	344	339
Engineering	64	61	61	61
Finance (6) (7)	42	44	43	39
Human Resources (3)	27	16	16	15
Information Technology	19	22	18	19
District Administration (3) (6) (8)	13	78	69	66
Legal (8)	8	9	12	11
Administration and External Affairs (7)	27	38	32	28
Watershed Programs (4)	83	77	78	70
Total	<u>693</u>	<u>708</u>	<u>673</u>	<u>648</u>
Budgeted employees, total District	<u>761</u>	<u>730</u>	<u>719</u>	<u>693</u>

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

(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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
41.9	30.9	31.2	36.1	35.3	34.4
51.5	39.2	39.1	43.8	45.3	45.8
12.6	9.0	10.1	10.8	10.0	9.6
<u>106.0</u>	<u>79.1</u>	<u>80.4</u>	<u>90.7</u>	<u>90.6</u>	<u>89.8</u>
<u>14,171,123</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>4,096,885</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>
352	357	353	363	396	404
52	54	56	57	65	70
41	47	47	47	42	50
17	17	19	14	15	17
19	20	21	19	21	20
54	50	47	46	56	44
10	14	13	14	8	8
25	18	16	16	8	7
72	63	62	58	-	-
<u>642</u>	<u>640</u>	<u>634</u>	<u>634</u>	<u>611</u>	<u>620</u>
<u>680</u>	<u>679</u>	<u>668</u>	<u>660</u>	<u>662</u>	<u>676</u>

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





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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Number of Buildings				
<u>Operations</u>				
Southerly Plant	43	42	42	40
Easterly Plant	20	19	19	18
Westerly Plant	17	17	16	16
Outlying Pump Buildings	6	7	7	7
Total Operations	<u>86</u>	<u>85</u>	<u>84</u>	<u>81</u>
<u>Administration</u>				
District Administration	1	1	1	1
Environmental Maintenance and Services Center	4	4	4	4
Total Offices	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total Buildings	<u><u>91</u></u>	<u><u>90</u></u>	<u><u>89</u></u>	<u><u>86</u></u>
 Miles of Interceptor Sewers Installed Annually*	 <u>1.4</u>	 <u>4.5</u>	 <u>0.25</u>	 <u>2.87</u>
Number of Outlying Systems				
<u>Sewage Collection System</u>				
Interceptor Sewers and Tunnels	21	21	21	21
Inter-Community Relief Sewers**	30	30	29	28
Automated Regulators	32	31	25	25
Pumping Stations**	9	9	10	10
Force Mains**	5	5	6	6
Total Sewage Collection System	<u>97</u>	<u>96</u>	<u>91</u>	<u>90</u>
<u>Support Facilities</u>				
Floatables Control Sites	10	10	10	10
Biofilter Odor Control Sites	8	8	8	8
Rain Gauge Sites	28	28	25	25
Lakeview Dam	1	1	1	1
Total Support Facilities	<u>47</u>	<u>47</u>	<u>44</u>	<u>44</u>
Total Outlying Systems	<u><u>144</u></u>	<u><u>143</u></u>	<u><u>135</u></u>	<u><u>134</u></u>
 Acres of Land				
<u>Operations</u>				
Southerly Plant	311.2	311.2	311.2	311.2
Easterly Plant	92.6	92.6	92.6	92.6
Westerly Plant	13.4	13.4	13.4	13.4
<u>Administration</u>				
District Administration	2.6	2.6	2.6	2.6
Environmental Maintenance and Services Center	14.7	14.7	14.7	14.7
Total Acres, Operations and Administration	<u><u>434.5</u></u>	<u><u>434.5</u></u>	<u><u>434.5</u></u>	<u><u>434.5</u></u>

*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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
39	39	39	38	36	36
18	18	18	18	18	18
16	16	16	16	16	16
7	7	5	5	5	5
<u>80</u>	<u>80</u>	<u>78</u>	<u>77</u>	<u>75</u>	<u>75</u>
1	1	1	1	1	1
4	4	4	4	4	4
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>85</u>	<u>85</u>	<u>83</u>	<u>82</u>	<u>80</u>	<u>80</u>
<u>5.55</u>	<u>3.95</u>	<u>0.40</u>	<u>0.99</u>	<u>0.89</u>	<u>3.52</u>
21	21	21	21	21	21
26	26	25	25	25	25
25	25	25	25	25	25
10	10	8	8	7	7
6	6	5	5	5	5
<u>88</u>	<u>88</u>	<u>84</u>	<u>84</u>	<u>79</u>	<u>83</u>
10	10	10	10	10	10
8	8	8	8	8	8
25	25	25	25	25	25
1	1	1	1	1	1
<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>
<u>132</u>	<u>132</u>	<u>128</u>	<u>128</u>	<u>123</u>	<u>127</u>
311.2	311.2	311.2	311.2	311.2	311.2
92.6	92.6	77.7	77.7	77.7	77.7
13.4	13.4	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>434.5</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Subdistrict 1</u>				
Cleveland (1)	123,722	124,288	125,422	126,357
<u>Subdistrict 2</u>				
Master Meter - Suburbs (2)	3	3	3	3
Direct Service - Suburbs (1)	<u>189,112</u>	<u>188,730</u>	<u>187,859</u>	<u>186,934</u>
Subtotal	<u>189,115</u>	<u>188,733</u>	<u>187,862</u>	<u>186,937</u>
Total Customers	<u><u>312,837</u></u>	<u><u>313,021</u></u>	<u><u>313,284</u></u>	<u><u>313,294</u></u>

(1) 2006 excludes 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
125,832	121,009	122,201	128,142	130,616	129,428
3	3	3	3	4	4
<u>183,985</u>	<u>181,826</u>	<u>184,587</u>	<u>183,792</u>	<u>187,895</u>	<u>179,337</u>
<u>183,988</u>	<u>181,829</u>	<u>184,590</u>	<u>183,795</u>	<u>187,899</u>	<u>179,341</u>
<u><u>309,820</u></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>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Subdistrict 1</u>				
Cleveland	1,668,505	1,715,359	1,706,438	1,781,276
<u>Subdistrict 2</u>				
Direct Service - Suburbs (3)	1,884,506	1,892,128	1,859,247	1,977,996
Master Meter - Suburbs (1)	<u>112,489</u>	<u>131,691</u>	<u>143,503</u>	<u>136,544</u>
Subtotal	<u>1,996,995</u>	<u>2,023,819</u>	<u>2,002,750</u>	<u>2,114,540</u>
Total Service Area	<u><u>3,665,500</u></u>	<u><u>3,739,178</u></u>	<u><u>3,709,188</u></u>	<u><u>3,895,816</u></u>

- (1) For years 2006-2011, Consumption of Master Meter Suburbs is presented at 80% of their total consumption, which is the billing basis. For years 2012-2015, Consumption of Master Meter Suburbs is presented at 70%, 65%, 60% and 55%; respectively, of their total consumption, which is the billing basis. Commencing January 2008, the City of East Cleveland became a direct service community billed by the City of Cleveland in Subdistrict 2.
- (2) Beginning in 2006, NASA has been categorized as a Subdistrict 2 customer to properly reflect consumption totals.
- (3) Restated 2010 for consumption adjustment.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,881,996	1,946,380 (3)	1,915,736	2,127,084	2,217,887	2,209,563
2,005,569	2,078,834 (3)	2,189,464	2,184,458	2,250,184 (2)	2,215,147
<u>209,320</u>	<u>170,293</u>	<u>162,759</u>	<u>195,815</u>	<u>288,738</u>	<u>320,559</u>
<u>2,214,889</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><u>4,096,885</u></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>

**NORTHEAST OHIO REGIONAL SEWER DISTRICT
SUMMARY OF REVENUES, EXPENSES, DEBT SERVICE AND
DEBT SERVICE COVERAGE
LAST TEN YEARS**

(In Thousands of Dollars)

	2015	2014	2013	2012
Operating Revenues, Net	\$ 280,430	\$ 239,185	\$ 209,790	\$ 187,241
Non-Operating Revenues	1,353	1,290	1,462	1,939
Total Revenues	<u>281,783</u>	<u>240,475</u>	<u>211,252</u>	<u>189,180</u>
Operating Expenses (Exclusive of depreciation)	104,480	102,198	99,895	94,107
Transfer to Rate Stabilization Account	-	6,000	-	-
Total Expenses	<u>104,480</u>	<u>108,198</u>	<u>99,895</u>	<u>94,107</u>
Net Revenues Available for Debt Service	<u>\$ 177,303</u>	<u>\$ 132,277</u>	<u>\$ 111,357</u>	<u>\$ 95,073</u>
Total Revenue Bond Debt Service (1),(2)	\$ 42,425	\$ 28,774	\$ 28,579	\$ 15,372
Coverage on Revenue Bond Debt Service	4.18	4.60	3.90	6.18
Total All Debt Service (1)	\$ 94,103	\$ 78,180	\$ 78,818	\$ 64,473
Coverage on Total Debt Service	1.88	1.69	1.41	1.47

(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, 2015 were:

	2015	2014	2013	2012
Revenue Bond Issues and Debt Service				
\$68,280 Series 2005 (A)	\$ 7,517	\$ 7,522	\$ 7,516	\$ 7,518
\$126,055 Series 2007 (B) (F)	4,457	7,858	7,858	7,854
\$336,930 Series 2010 (C) (G)	13,363	13,394	13,205	-
\$249,535 Series 2013 (D)	6,086	-	-	-
\$350,570 Series 2014A (E)	8,091	-	-	-
\$68,460 Series 2014B (F)	2,911	-	-	-
Total Revenue Bond Issues and Debt Service	<u>42,425</u>	<u>28,774</u>	<u>28,579</u>	<u>15,372</u>
OWDA Debt Service	-	-	-	-
WPCLF Debt Service	51,678	49,406	50,239	49,101
Total All Debt Service	<u>\$ 94,103</u>	<u>\$ 78,180</u>	<u>\$ 78,818</u>	<u>\$ 64,473</u>

- (A) The Series 1995 Bonds were refunded on December 20, 2005 and replaced by the Series 2005 Bonds.
- (B) The Series 2007 Bonds were issued on May 22, 2007.
- (C) The Series 2010 Bonds were issued on November 17, 2010.
- (D) The Series 2013 Bonds were issued on March 26, 2013.
- (E) The Series 2014A Bonds were issued on December 18, 2014.
- (F) The Series 2014B Bonds were issued on December 18, 2014 and refunded a portion of the Series 2007 Bonds.
- (G) The Series 2010 Bonds interest has increased due to the BAB subsidy reduction from the recent sequester by Congress.

(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.

2011	2010	2009	2008	2007	2006
\$ 172,722	\$ 166,851	\$ 164,776	\$ 162,271	\$ 159,055	\$ 150,154
3,674	4,131	3,366	14,047	15,575	10,421
<u>176,396</u>	<u>170,982</u>	<u>168,142</u>	<u>176,318</u>	<u>174,630</u>	<u>160,575</u>
90,314	97,278	93,554	91,713	85,205	83,056
3,000	-	3,000	-	-	-
<u>93,314</u>	<u>97,278</u>	<u>96,554</u>	<u>91,713</u>	<u>85,205</u>	<u>83,056</u>
<u>\$ 83,082</u>	<u>\$ 73,704</u>	<u>\$ 71,588</u>	<u>\$ 84,605</u>	<u>\$ 89,425</u>	<u>\$ 77,519</u>
\$ 15,370	\$ 15,375	\$ 15,373	\$ 15,375	\$ 10,174	\$ 7,490
5.41	4.79	4.66	5.61	8.79	10.35
\$ 59,974	\$ 60,821	\$ 59,430	\$ 58,140	\$ 54,905	\$ 44,257
1.39	1.21	1.20	1.46	1.63	1.75

2011	2010	2009	2008	2007	2006
\$ 7,514	\$ 7,520	\$ 7,517	\$ 7,517	\$ 7,514	\$ 7,490
7,856	7,855	7,856	7,858	2,660	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,370</u>	<u>15,375</u>	<u>15,373</u>	<u>15,375</u>	<u>10,174</u>	<u>7,490</u>
-	-	-	204	409	409
44,604	45,446	44,057	42,561	44,322	36,358
<u>\$ 59,974</u>	<u>\$ 60,821</u>	<u>\$ 59,430</u>	<u>\$ 58,140</u>	<u>\$ 54,905</u>	<u>\$ 44,257</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						
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
2015	6.90	69.65	12.1	41.85	12.0	71.75	11.2	43.25	11.0

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

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

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

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, 2016 THROUGH 2025
(In Thousands of Dollars)**

	2016	2017	2018	2019	2020
<u>USES OF FUNDS</u>					
Sewage Treatment Plant Improvements					
Westerly	\$6,465,576	\$7,957,863	\$1,690,947	\$2,809,410	\$7,079,632
Southerly	\$46,405,288	\$28,937,426	\$23,314,447	\$712,395	\$2,822,107
Easterly	6,339,376	1,290,068	1,587,439	594,995	2,663,214
Sub-Total	<u>59,210,240</u>	<u>38,185,357</u>	<u>26,592,833</u>	<u>4,116,800</u>	<u>12,564,953</u>
Interceptors/Rehabilitation	21,458,330	37,437,205	18,208,078	24,534,248	23,265,969
Combined Sewer Overflow Control Program	155,468,041	218,467,220	218,907,914	308,582,189	224,584,514
Information Technology and Other Minor Equipment	11,388,952	10,170,875	10,679,418	11,213,390	11,774,057
Total	<u>\$ 247,525,563</u>	<u>\$ 304,260,657</u>	<u>\$ 274,388,243</u>	<u>\$ 348,446,627</u>	<u>\$ 272,189,493</u>
<u>SOURCES OF FUNDS</u>					
WPCLF Loans (1)	\$ 46,239,678	\$ 46,239,678	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000
Net Bond Proceeds	166,812,414	215,820,931	192,581,962	258,770,424	171,366,704
Internally Generated Funds	34,473,471	42,200,048	46,806,281	54,676,203	65,822,789
Total	<u>\$ 247,525,563</u>	<u>\$ 304,260,657</u>	<u>\$ 274,388,243</u>	<u>\$ 348,446,627</u>	<u>\$ 272,189,493</u>

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

2021	2022	2023	2024	2025	TOTAL
\$1,328,936	\$6,851,876	\$4,668,955	\$2,774,351	\$3,318,141	\$ 44,945,687
\$22,889,048	\$26,567,081	\$34,017,415	\$39,568,915	\$16,596,057	241,830,179
<u>9,374,572</u>	<u>13,696,027</u>	<u>16,910,211</u>	<u>4,405,757</u>	<u>4,377,682</u>	<u>61,239,341</u>
<u>33,592,556</u>	<u>47,114,984</u>	<u>55,596,581</u>	<u>46,749,023</u>	<u>24,291,880</u>	<u>348,015,207</u>
17,966,982	15,589,270	21,815,924	10,877,845	9,127,269	200,281,120
123,898,359	102,673,394	143,060,422	188,539,787	189,643,491	1,873,825,331
<u>12,362,762</u>	<u>12,980,899</u>	<u>13,629,944</u>	<u>14,311,442</u>	<u>15,027,013</u>	<u>123,538,752</u>
<u>\$ 187,820,659</u>	<u>\$ 178,358,547</u>	<u>\$ 234,102,871</u>	<u>\$ 260,478,097</u>	<u>\$ 238,089,653</u>	<u>\$ 2,545,660,410</u>
\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 35,000,000	\$ 372,479,356
97,262,800	91,331,567	135,749,618	152,558,878	131,389,653	1,613,644,951
<u>55,557,859</u>	<u>52,026,980</u>	<u>63,353,253</u>	<u>72,919,219</u>	<u>71,700,000</u>	<u>559,536,103</u>
<u>\$ 187,820,659</u>	<u>\$ 178,358,547</u>	<u>\$ 234,102,871</u>	<u>\$ 260,478,097</u>	<u>\$ 238,089,653</u>	<u>\$ 2,545,660,410</u>

Prepared by the Department of Finance

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Your Sewer District...

**Keeping our
Great Lake
great.** 

 **Northeast Ohio
Regional Sewer District**

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