CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the year ended December 31, 2024

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Cleveland
Department of Public Utilities
Division of Water Pollution Control
Cuyahoga County
601 Lakeside Avenue
Cleveland, Ohio 44114

To the Honorable Justin M. Bibb, Mayor, Members of City Council and the Audit Committee and the Department of Public Utilities, Division of Water Pollution Control:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland, Cuyahoga County, Ohio (the Division), as of and for the year ended December 31, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland, as of December 31, 2024, and the respective changes in financial position and its cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements of the Department of Public Utilities, Division of Water Pollution Control of the City of Cleveland, are intended to present the financial position, the changes in financial position, and where applicable cash flows of only that portion of the business-type activities and the major fund of the City of Cleveland that is attributable to the transactions of the Department of Public Utilities, Division of Water Pollution Control. They do not purport to, and do not, present fairly the financial position of the City of Cleveland as of December 31, 2024, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

Keith Faber
Auditor of State
Columbus, Ohio

June 26, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

As management of the City of Cleveland's (the City) Department of Public Utilities, Division of Water Pollution Control (the Division), we offer readers of the Division's financial statements this narrative overview and analysis of the financial activities of the Division for the year ended December 31, 2024. Please read this information in conjunction with the Division's basic financial statements and footnotes that begin on page 18.

The Division was created for the purpose of supplying sewer services to customers within the Cleveland metropolitan area. Embarking with a rudimentary system in the late 1800's, the Cleveland Sewer System developed as the City itself expanded. Until the early 1970's, the City operated the entire system and managed all aspects of sewage treatment and disposal.

In 1972, a court order created the Northeast Ohio Regional Sewer District (NEORSD) and transferred the operation of all wastewater treatment plants and interceptors to the NEORSD in December 1973.

The City retained responsibility for the sewer collector system in Cleveland. The Division serves a significant portion of the entire metropolitan area by managing the sanitary sewage and storm water drainage collection system. The sewer collection system transfers sanitary and storm sewage from its point of origin to an interceptor sewer or treatment plant for processing. The system is comprised of 1,436 miles of sewer lines with attendant catch basins and includes 11 pump/lift stations. The Division is also responsible for the cleaning of approximately 43,500 catch basins and for maintaining two storm detention basins.

The Division currently has approximately 117,000 customer accounts in the City, of which 95.5% are residential and 4.5% commercial. Also, in 2024 the Division's sewers transported 1,402,200 Mcf's (thousand cubic feet) of water.

The Division acts as a custodian of billings and receipts for 18 other agencies including the NEORSD, other municipalities and HomeServe USA's residential service line protection plan. Accounts are billed monthly and payments collected each month are remitted to the appropriate agency by the 15th of the subsequent month.

COMPARISON OF CURRENT YEAR'S AND PRIOR YEAR'S DATA

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Division exceeded its liabilities and deferred inflows of resources (net position) by $163,124,000 and $146,391,000 at December 31, 2024 and 2023, respectively. Of these amounts, $58,516,000 and $48,873,000 are unrestricted net position at December 31, 2024 and 2023, respectively, and may be used to meet the Division's ongoing obligations to customers and creditors.

- The Division's net position rose by $17,076,000 in 2024, primarily due to operating income of $12,298,000.

FINANCIAL HIGHLIGHTS (Continued)

- The Division's total debt increased in 2024 by $31,885,000 due to the issuance of $29,675,000 Water Pollution Control Revenue Bonds and $3,311,000 in Ohio Water Development Authority (OWDA) loans. The increase was partially offset by payments on the Division's OWDA loan along with payment of principal on the Division's revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Division's basic financial statements. The accompanying financial statements present financial information for the City's Division of Water Pollution Control Fund, in which the City accounts for the operations of the Department of Public Utilities, Division of Water Pollution Control. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Division is considered an enterprise fund because the operations of the Division are similar to a private sector business enterprise. Accordingly, in accounting for the activities of the Division, the economic resources measurement focus and the accrual basis of accounting is used.

The basic financial statements of the Division can be found on pages 18 - 23 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 - 52 of this report. Required supplementary information can be found on pages 53 - 56 of this report.

CONDENSED STATEMENT OF NET POSITION INFORMATION

Provided below are the statements of net position information for the Division as of December 31, 2024 and December 31, 2023:

	2024	2023
	(Amounts in Thousands)	
Assets:		
Current assets	$ 263,399	$ 244,678
Restricted assets	34,014	3,124
Noncurrent assets	503	104
Capital assets, net	149,395	138,021
Total assets	447,311	385,927
Deferred outflows of resources	3,966	6,750
Liabilities:		
Current liabilities	197,187	187,139
Long-term obligations	90,077	58,878
Total liabilities	287,264	246,017
Deferred inflows of resources	889	269
Net position:		
Net investment in capital assets	96,769	92,892
Restricted for capital projects	1,985	1,657
Restricted for debt service	5,351	2,865
Restricted for pension and OPEB assets	503	104
Unrestricted	58,516	48,873
Total net position	$ 163,124	$ 146,391

Current assets: The Division's current assets increased by $18,721,000. Unrestricted cash and cash equivalents increased by $11,936,000, mainly due to increases of $2,980,000 in cash received from customers and $960,000 in net cash received on behalf of other communities. Net accounts receivable increased by $6,897,000, primarily due to an increase of $6,396,000 in the custodial portion of the balance.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The Division's unrestricted cash balances for the previous five years is as follows:

	Water Pollution Control	Custodial Fund	Total
	(Amounts in Thousands)		
2024	$ 52,904	$ 51,531	$ 104,435
2023	44,971	48,348	93,319
2022	38,084	46,396	84,480
2021	34,818	46,885	81,703
2020	35,167	43,344	78,511

Restricted assets: The Division's restricted assets increased by $30,890,000, primarily due to an increase of $30,883,000 in cash and cash equivalents. Of this increase, $28,607,000 is comprised of proceeds from the issuance of the Series 2024 revenue bonds.

Noncurrent assets: Noncurrent assets increased by $399,000 in 2024. The increase is primarily attributed to a $383,000 increase in net OPEB assets.

Capital assets: At December 31, 2024, net capital assets amounted to $149,395,000. A summary of the activity in the Division's capital assets during the year ending December 31, 2024, is as follows:

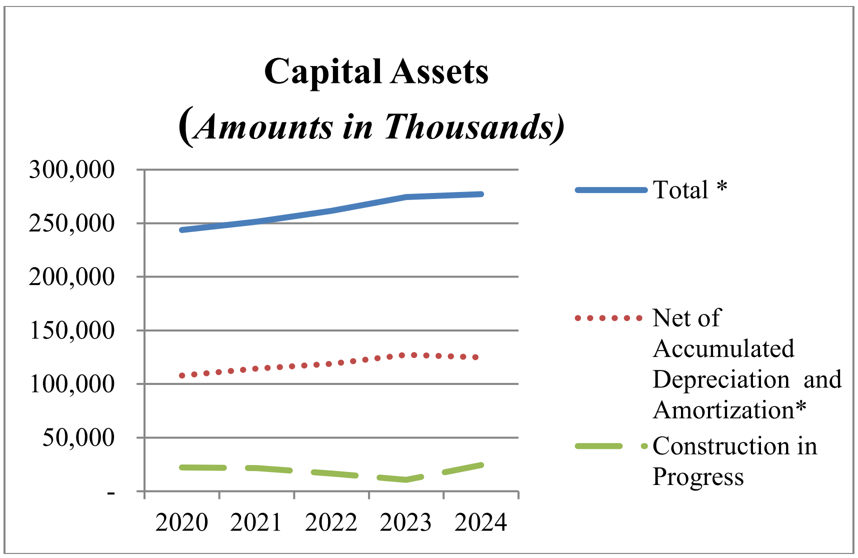
	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024
	(Amounts in Thousands)			
Land	$ 295	$	$	$ 295
Construction in progress	10,645	15,974	(2,201)	24,418
Land improvements	289		(191)	98
Utility plant	244,884	2,193	(51)	247,026
Buildings, structures and improvements	11,592	20		11,612
Furniture, fixture, equipment and vehicles	17,506	1,191	(563)	18,134
Right to use assets	66	38		104
Total	285,277	19,416	(3,006)	301,687
Less: Accumulated depreciation and amortization	(147,256)	(5,725)	689	(152,292)
Capital assets, net	$ 138,021	$ 13,691	$ (2,317)	$ 149,395

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

In 2024, the principal outlays for construction in progress included Brookside Boulevard and other sewer replacement, emergency sewer repairs, East 97th street sewer replacement, and catch basins and manholes.

The major capital additions for the year included:

- Sewer installations
- Sewer connections
- Catch basins and manholes



* Construction in Progress not included

Additional information on the Division's capital assets, including commitments made for future capital expenditures, can be found in Note D – Capital Assets.

Deferred outflows of resources: Deferred outflows of resources decreased by $2,784,000 in 2024. Pension deferred outflows decreased by $2,257,000, mainly due to a $1,807,000 decrease in the net difference between projected and actual earnings on plan investments and a decrease of $290,000 in the difference between expected and actual economic experience. OPEB deferred outflows decreased by $527,000, also primarily due to a $365,000 decrease in the net difference between projected and actual earnings on OPEB plan investments and decrease of $194,000 in change in assumptions regarding certain economic or demographic factors.

Current liabilities: Current liabilities increased by $10,048,000 in 2024, mainly due to an increase in amounts due for billings on behalf of others of $9,800,000. The growth is primarily attributed to steadily rising customer account balances associated with the NEORSD. The increase was partially offset by decreases of $907,000 and $337,000, respectively, in due to other City of Cleveland departments, divisions or funds, and accrued wages & benefits.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

***Net pension/Other Postemployment Benefits (OPEB) liabilities/(assets)*:** The net pension liability/(asset) is reported by the Division at December 31, 2024 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*. In 2018, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities/(assets) related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Division's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset, net OPEB asset and deferred outflows of resources related to pension and OPEB.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*) and postemployment benefits (GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/(asset) or net OPEB liability/(asset). GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability/(asset) and the net OPEB liability/(asset) to equal the Division's proportionate share of each plan's collective:

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Most long-term liabilities/(assets) 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/(asset) or the net OPEB liability/(asset). As previously explained, changes in benefits, contribution rates and return on investments affect the balance of these liabilities/(assets), but are outside the control of the Division. In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability/(asset) and the net OPEB liability/(asset) are satisfied, these liabilities/(assets) are separately identified within the long-term liability/(asset) section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Division's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability/(asset) and net OPEB liability/(asset), respectively, not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 75, the Division is reporting a net OPEB liability/(asset) and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Long-term debt: At the end of 2024, the Division had total debt outstanding of $73,659,000 associated with its issuance of revenue bonds and two OWDA loans. The revenue bonds are backed by the net revenues of the Division. The loans are payable from revenues generated by the Division but do not have a lien on the revenues.

The activity in the Division's debt obligations outstanding during the year ended December 31, 2024 is summarized below:

	Balance January 1, 2024	Debt Issued	Debt Retired	Balance December 31, 2024
		(Amounts in Thousands)		
Water Pollution Control Revenue Bonds, Series 2016	$ 28,080	$	$ (730)	$ 27,350
Water Pollution Control Revenue Bonds, Series 2024		29,675		29,675
Ohio Water Development Authority Loans (OWDA)	13,694	3,311	(371)	16,634
Total	$ 41,774	$ 32,986	$ (1,101)	$ 73,659

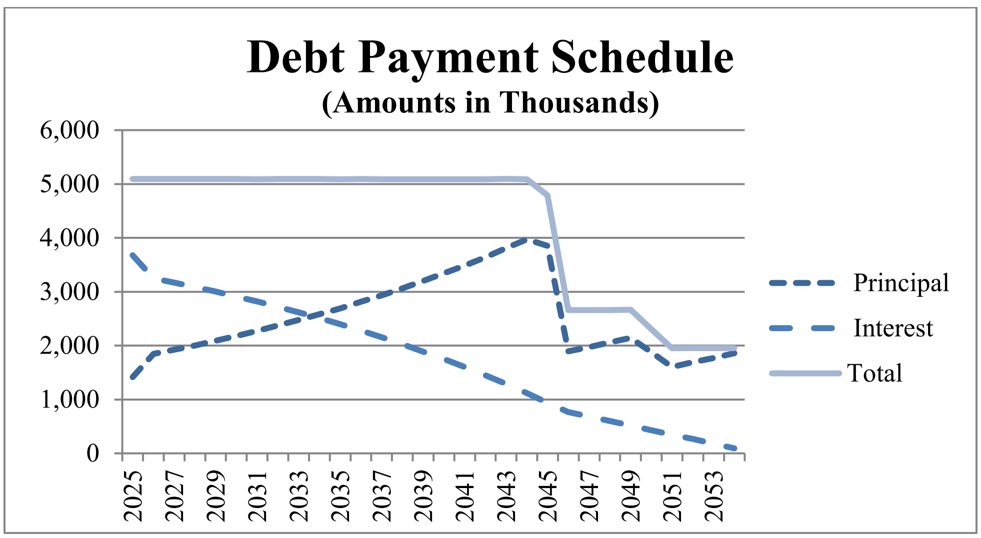
CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

The bonds ratings for the Division's outstanding revenue bonds as of December 31, 2024, are as follows:

	Moody's Investors Service	S&P Global
Water Pollution Control Revenue Bonds	Aa3	AA-

On July 23, 2024, S&P Global Ratings upgraded its rating on the Division's revenue bonds to AA- from A+.

The ratio of net revenue available for debt service to debt service requirements (revenue bond coverage) is a useful indicator of the Division's debt position to management, customers, creditors and investors. The Division's revenue bond coverage for 2024 and 2023 was 960% and 810%, respectively.



Additional information on the Division's long-term debt can be found in Note B – Long-term Obligations on pages 29 - 33.

Deferred inflows of resources: Deferred inflows of resources increased by $620,000 in 2024. Pension deferred inflows increased by $505,000, mainly due to a $508,000 increase in the change in the Division's proportionate share and difference in employer contribution. OPEB deferred inflows increased by $115,000, primarily due to a $141,000 increase in the change in assumptions with regard to certain economic and demographic factors, which was partially offset by a $20,000 decrease in the difference between expected and actual experience with regard to certain economic and demographic factors.

CONDENSED STATEMENT OF NET POSITION INFORMATION (Continued)

Net position: Net position serves as a useful indicator of a government's financial position. In the case of the Division, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $163,124,000 and $146,391,000 at December 31, 2024, and 2023, respectively.

The largest portion of the Division's net position, $96,769,000 at December 31, 2024, reflects its investment in capital assets (e.g., land, buildings, utility plant, machinery, equipment and right to use assets), net of accumulated depreciation and amortization, less any related outstanding debt used to acquire those assets. The Division uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the Division's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Division's net position, $7,839,000 at December 31, 2024, represents resources that are subject to external restrictions. These funds are set aside for the payment of revenue bonds, capital projects, and net pension and OPEB assets.

The remaining balance of net position, $58,516,000 at December 31, 2024, is unrestricted and may be used to meet the Division's ongoing obligations to customers and creditors.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION

During 2024, the Division's operations increased its net position by $17,076,000. Provided below are the key elements of the Division's results of operations for the years ended December 31, 2024, and 2023:

	2024	2023
	(Amounts in Thousands)	
Operating revenues	$ 38,805	$ 35,189
Operating expenses	26,507	26,098
Operating income (loss)	12,298	9,091
Non-operating revenue (expense):		
Investment income	3,248	2,303
Interest expense	(2,302)	(1,781)
Amortization of bond premiums and discounts	302	254
Gain (loss) on the disposal of assets	(133)	(92)
Other	(486)	11
Total non-operating revenue (expense), net	629	695
Income (loss) before capital and other contributions	12,927	9,786
Capital and other contributions	4,149	2,536
Change in net position	17,076	12,322
Net position, beginning of year	146,391	134,069
Restatement for change in accounting principle	(343)	
Net position, beginning of year (as restated)	146,048	134,069
Net position, end of year	$ 163,124	$ 146,391

The information necessary to restate 2023 beginning balances and the related compensated absences expense amounts for the effects of the initial implementation of GASB Statement No. 101, *Compensated Absences*, is not reasonably available. Therefore, 2023 expenses are not adjusted from previously reported amounts and the accumulated effect of the restatement for the change in accounting principal totaling a negative $343,000 is netted against the 2024 beginning net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION (Continued)

Operating revenues: Operating revenues amounted to $38,805,000 in 2024, which was an increase of $3,616,000 from the previous year. The increase is primarily attributed to a 10.0% increase in rates per MCF.

Operating expenses: In 2024, total operating expenses increased by $409,000. Maintenance costs increased by $820,000, primarily due to ratification of a number of union contracts resulting in higher wages. Operations expense decreased by $485,000, primarily due to a $1,195,000 decrease in pension expense. This decrease was partially offset by an increase of $192,000 in salary costs.

Depreciation and amortization expense increased by $74,000, or 1.3% in 2024.

Non-operating revenues: In 2024, non-operating revenues increased by $982,000. This increase is primarily related to an increase in interest revenue of $945,000, due to a combination of higher average cash balances and elevated interest rates.

Non-operating expenses: From 2023 to 2024, non-operating expenses increased by $1,048,000. The increase is mainly attributed to a $521,000 increase in interest expense due to the issuance of the Series 2024 revenue bonds. Other expenses also increased by $486,000, primarily due to the costs associated with the issuance of the Series 2024 revenue bonds.

Capital and other contributions: The Division was the recipient of grants totaling $2,849,000 from the NEORSD to address water quality and quantity issues, as well as the rehabilitation of the Brookside Boulevard sewer. In addition, American Rescue Plan Act (ARPA) funds totaling $1,300,000 were used in the rehabilitation of the East 97th Street sewer.

ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Division's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City Hall, Room 104, 601 Lakeside Avenue, Cleveland, Ohio 44114.

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BASIC FINANCIAL STATEMENTS

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2024
(Amounts in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	$ 105,255
Receivables:	
Accounts receivable - net of allowance for doubtful accounts of $4,465	153,392
Unbilled revenue	2,229
Accrued interest receivable	231
Due from other governments	1,084
Due from other City of Cleveland departments, divisions or funds	39
Materials and supplies	1,109
Prepaid expenses	60
TOTAL CURRENT ASSETS	263,399
RESTRICTED ASSETS	
Cash and cash equivalents	33,995
Accrued interest receivable	19
TOTAL RESTRICTED ASSETS	34,014
NONCURRENT ASSETS	
Net OPEB asset	383
Net pension asset	120
	503
CAPITAL ASSETS	
Land	295
Land improvements	98
Utility plant	247,026
Buildings, structures and improvements	11,612
Furniture, fixtures, equipment and vehicles	18,134
Right to use assets	104
	277,269
Less: Accumulated depreciation and amortization	(152,292)
	124,977
Construction in progress	24,418
CAPITAL ASSETS, NET	149,395
TOTAL ASSETS	447,311
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,605
OPEB	361
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,966

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF NET POSITION
December 31, 2024
(Amounts in Thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 1,691
Customer deposits and other liabilities	125
Retainage payable	820
Accrued wages and benefits	954
Due to other City of Cleveland departments, divisions or funds	1,217
Amounts due for billing on behalf of others	190,203
Subscriptions	35
Accrued interest payable	727
Current portion of long-term debt, due within one year	1,415
TOTAL CURRENT LIABILITIES	197,187
LONG-TERM OBLIGATIONS-excluding amounts due within one year:	
OWDA loans	16,084
Accrued wages and benefits	747
Revenue bonds	62,003
Subscriptions	13
Net pension liability	11,230
TOTAL LONG-TERM OBLIGATIONS	90,077
TOTAL LIABILITIES	287,264
DEFERRED INFLOWS OF RESOURCES	
Pension	669
OPEB	220
TOTAL DEFERRED INFLOWS OF RESOURCES	889
NET POSITION	
Net investment in capital assets	96,769
Restricted for capital projects	1,985
Restricted for debt service	5,351
Restricted for pension and OPEB assets	503
Unrestricted	58,516
TOTAL NET POSITION	$ 163,124

See notes to financial statements.

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CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2024
(Amounts in Thousands)

OPERATING REVENUES	
Charges for services	$ 38,805
TOTAL OPERATING REVENUES	38,805
OPERATING EXPENSES	
Operations	10,337
Maintenance	10,445
Depreciation and amortization	5,725
TOTAL OPERATING EXPENSES	26,507
OPERATING INCOME (LOSS)	12,298
NON-OPERATING REVENUE (EXPENSE)	
Investment income	3,248
Interest expense	(2,302)
Amortization of bond premiums and discounts	302
Gain (loss) on disposal of assets	(133)
Other	(486)
TOTAL NON-OPERATING REVENUE (EXPENSE), NET	629
INCOME (LOSS) BEFORE CAPITAL AND OTHER CONTRIBUTIONS	12,927
Capital and other contributions	4,149
INCREASE (DECREASE) IN NET POSITION	17,076
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	146,391
CHANGE IN ACCOUNTING PRINCIPLE (SEE NOTE L)	(343)
RESTATED NET POSITION, BEGINNING OF YEAR	146,048
NET POSITION, END OF YEAR	$ 163,124

See notes to financial statements.

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2024
(Amounts in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 35,789
Cash payments to suppliers for goods or services	(9,582)
Cash payments to employees for services	(10,423)
Cash receipts on behalf of other communities	476,294
Cash payments on behalf of other communities	(473,248)
Other	859
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	19,689
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds, loans and notes	35,815
Acquisition and construction of capital assets	(17,406)
Principal paid on long-term debt	(1,101)
Principal paid on subscriptions	(55)
Interest paid on long-term debt	(1,740)
Interest paid on subscriptions	(2)
Capital grant proceeds	3,909
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	19,420
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	3,146
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	3,146
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,255
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	96,995
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 139,250

CITY OF CLEVELAND, OHIO

DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2024
(Amounts in Thousands)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$	12,298
Adjustments		
Depreciation and amortization		5,725
(Increase) decrease in assets:		
Accounts receivable, net		(6,897)
Accrued and unbilled revenue		(183)
Due from other City of Cleveland departments, divisions or funds		(10)
Materials and supplies, net		63
Prepaid expenses		12
Net pension asset		(16)
Net OPEB asset		(383)
(Increase) decrease in deferred outflows of resources:		
Pension		2,257
OPEB		527
Increase (decrease) in liabilities:		
Accounts payable		381
Customer deposits and other liabilities		(26)
Accrued wages and benefits		(272)
Due to other City of Cleveland departments, divisions or funds		(907)
Amounts due for billings on behalf of others		9,800
Net pension liability		(3,000)
Net OPEB liability		(300)
Increase (decrease) in deferred inflows of resources:		
Pension		505
OPEB		115
TOTAL ADJUSTMENTS		7,391
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	19,689

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Accounts payable related to capital assets	$	820

See notes to financial statements.

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CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Division of Water Pollution Control (the Division) is reported as an Enterprise Fund of the City of Cleveland's Department of Public Utilities and is a part of the City of Cleveland's (the City) primary government. The Division was created for the purpose of supplying sewer services to customers within the metropolitan area. The following is a summary of the more significant accounting policies.

Reporting Model and Basis of Accounting: The accounting policies and financial reporting practices of the Division comply with accounting principles generally accepted in the United States of America applicable to governmental units.

In June of 2022, GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*, was issued. This Statement is effective for the reporting periods beginning after June 15, 2023. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. As required, the Division has implemented GASB Statement No. 100 as of December 31, 2024.

In June of 2022, GASB Statement No.101, *Compensated Absences,* was issued. This Statement is effective for reporting periods beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As required, the Division has implemented GASB Statement No. 101 as of December 31, 2024.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's net position is accounted for in the accompanying statements of net position and is divided into the following categories:

- Net investment in capital assets
- Restricted for capital projects
- Amount restricted for debt service
- Amount restricted for pension and OPEB assets
- Remaining unrestricted amount

In addition, certain additional financial information regarding the Division is included in these footnotes.

Basis of Accounting: The Division's financial statements are prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned and measurable and expenses are recognized as incurred.

Revenues: Revenues are derived primarily from sales of sewer services to residential, commercial and industrial customers based upon actual water consumption. Sewer rates are authorized by City Council and billings are made on a cyclical basis. Estimates for services between the end of the various cycles and the end of the year are recorded as unbilled revenue.

Inventory of Supplies: The Division's inventory is valued at average cost. Inventory costs are charged to operations when consumed.

Prepaid Expenses and Other Assets: Payments made to vendors for services that benefit future periods are recorded as prepayments in the financial statements. A current asset for the prepaid amount is recorded at the time of purchase and the expense is reported in the year in which services are consumed.

Interfund Transactions: During the course of normal operations the Division has numerous transactions between other City divisions and departments. Unpaid amounts at year end are generally reflected as due to or due from in the accompanying financial statements.

Leases: The Division follows the provisions of GASB Statement No. 87, *Leases,* which requires governmental entities to recognize their long-term lease agreements on the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables: The Division's share of the accounts receivable balance is $14,726,000, net of allowance for doubtful accounts of $4,465,000. The remaining net accounts receivable balance of $138,666,000 belongs to the NEORSD, other municipalities in the Greater Cleveland Region and HomeServe USA, and is offset by corresponding amounts in due for billings on behalf of others.

Statement of Cash Flows: The Division utilizes the direct method of reporting for the statement of cash flows as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. In a statement of cash flows, cash receipts and cash payments are classified according to operating, noncapital financing, capital and related financing and investment activities.

Cash and Cash Equivalents: Cash and cash equivalents represent cash on hand and cash deposits maintained by the City Treasurer on behalf of the Division. Cash equivalents are defined as highly liquid investments with maturity of three months or less when purchased.

Investments: The Division follows the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* which requires governmental entities to record their investments at fair value within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs valued by pricing sources used by the City's investment managers. Level 3 inputs are significant unobservable inputs. The Division's investments in money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio) funds are excluded from fair value measurement requirements under GASB Statement No. 72 and instead are reported at amortized cost.

The Division has invested funds in STAR Ohio during 2024. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79 for the purpose of measuring the value of shares in STAR Ohio. The Division measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV share that approximates fair value.

Capital Assets and Depreciation: Capital assets are stated on the basis of historical cost or, if contributed, at their acquisition value on the date contributed. Depreciation is computed by allocating the cost of capital assets less any applicable salvage value over the estimated useful lives of the assets using the straight-line method. A capital asset is defined as an item with a useful life in excess of one year and an individual cost of more than $5,000 for furniture, fixtures, equipment and vehicles and $10,000 for all other assets. When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in operations. The estimated useful lives are as follows:

Utility plant	5 to 100 years
Land improvements	15 to 100 years
Building, structures and improvements	5 to 60 years
Furniture, fixtures, equipment and vehicles	3 to 60 years

Right to use assets are amortized over the shorter of the contract term or useful life of the underlying asset.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements: The City follows the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires governmental entities to recognize their long-term Subscription-Based Information Technology Arrangements, related right to use asset and related revenue and expenditures on the financial statements.

Bond Issuance Costs, Discounts, Premiums and Unamortized Losses on Debt Refundings: Bond issuance costs are expensed when incurred. Deferred bond discounts/premiums are netted against long-term debt. The discounts/premiums are amortized over the lives of the applicable bonds. Unamortized loss on debt refundings are categorized as a deferred outflow of resources and is amortized over the shorter of the defeased bond or the newly issued bond.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

Compensated Absences: The Division accrues for compensated absences such as vacation, sick leave and compensatory time using the termination payment method specified under GASB Statement No. 101, *Compensated Absences*. These amounts are recorded as accrued wages and benefits in the accompanying statement of net position. The portion of the compensated absence liability that is not expected to be paid or utilized within one year is reported as a long-term liability.

Normally, all vacation time is to be taken in the year available. The Division allows employees to carryover vacation time from one year to the next. Sick days not taken may be accumulated until retirement. An employee is paid one-third of accumulated sick leave upon retirement, calculated at the three-year average base salary rate, with the balance being forfeited.

Amounts Due for Billing on Behalf of Others: The Division includes custodial balances in both its accounts receivable and unrestricted cash and cash equivalents balances. The total amount of these balances comprises the balance in amounts due for billing on behalf of others.

When both restricted and unrestricted resources are available for use, it is the Division's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonoperating revenues/expenses: The Division defines revenues and expenses as nonoperating using the following criteria:

- All subsidies received and provided
- Financing-related revenues and expenses
- Resources from the disposal of capital assets and inventory
- Investment income and expenses

All other revenues and expenses are considered operating.

NOTE B - LONG-TERM OBLIGATIONS

Long-term obligations outstanding at December 31, 2024 as follows:

	Interest Rate	Original Issuance	2024
	(Amounts in Thousands)		
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	5.00%	$ 32,390	$ 27,350
Water Pollution Control Revenue Bonds, Series 2024 due through 2054	5.00%	29,675	29,675
Ohio Water Development Authority (OWDA) Loans payable annually through 2050, direct borrowing	2.47 - 2.88%	19,421	16,634
		$ 81,486	73,659
Less:			
Unamortized discount and premium			5,843
Current portion			(1,415)
Total Long-Term Debt			$ 78,087

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Summary: Changes in long-term obligations for the year ended December 31, 2024, are as follows:

	Balance January 1, 2024	Increase	Decrease	Balance December 31, 2024	Due Within One Year
	(Amounts in Thousands)				
Water Pollution Control Revenue Bonds, Series 2016 due through 2045	$ 28,080	$	$ (730)	$ 27,350	$ 765
Water Pollution Control Revenue Bonds, Series 2024 due through 2054		29,675		29,675	100
Ohio Water Development Authority (OWDA) Loans payable annually through 2050, direct borrowing	13,694	3,311	(371)	16,634	550
Total bonds and loans	41,774	32,986	(1,101)	73,659	1,415
Accrued wages and benefits, as restated	1,973	1,019	(1,291)	1,701	954
Net pension liability	14,230		(3,000)	11,230	
Net OPEB liability	300		(300)	-	
Subscriptions	47	48	(47)	48	35
Total	$ 58,324	$ 34,053	$ (5,739)	$ 86,638	$ 2,404

NOTE B - LONG-TERM OBLIGATIONS (Continued)

Minimum principal and interest payments on long-term debt are as follows:

	Bond Principal	OWDA (Direct Borrowing) Principal	Interest	Total
	(Amounts in Thousands)			
2025	$ 865	$ 550	$ 3,677	$ 5,092
2026	1,280	564	3,249	5,093
2027	1,345	579	3,170	5,094
2028	1,410	594	3,087	5,091
2029	1,480	609	3,002	5,091
2030-2034	8,590	3,294	13,573	25,457
2035-2039	10,955	3,748	10,747	25,450
2040-2044	13,985	4,265	7,203	25,453
2045-2049	8,660	3,267	3,511	15,438
2050-2054	8,455	350	1,314	10,119
Total	$ 57,025	$ 17,820	$ 52,533	$ 127,378

The above schedule of minimum principal and interest payments on long-term debt includes the amortization of two OWDA loans provided to the City.

On October 26, 2023, the Ohio Water Development Authority approved a loan for phase one of the Bellaire Road area sewer replacement. The total loan amount is $4,497,000 and repayment begins on July 1, 2025.

OWDA provided the City with the amount expected to be financed, the interest rate, initial repayment date and other significant terms of the new loan. From the information received, the City prepared a detailed amortization schedule for the loan based upon the amount expected to be financed, regardless of whether the City has received all of the loan proceeds. At December 31, 2024, the amount financed on this loan, which is reflected in the amortization schedule, exceeded the actual loan balance shown in the long-term debt outstanding by $1,186,000.

The Ohio Water Development Authority Loans are being paid from the revenues derived from operations of the Division.

On August 15, 2024, the City issued $29,675,000 Water Pollution Control Revenue Bonds, Series 2024. This was the second series of revenue bonds issued by the Division, with the bonds being issued under and secured by the Master Trust Agreement. The proceeds of these bonds will be used to pay capital costs relating to the acquisition, construction and improvement of the system along with funding the debt service reserve requirement and paying the costs of issuing the bonds.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

In conjunction with the issuance of the Water Pollution Control Revenue Bonds, Series 2016, the City entered into a Master Trust Agreement for the Series 2016 Bonds and any future series of revenue bonds. Under the terms of the Trust Agreement, the Bonds are special obligations payable solely from and secured by a pledge of and lien on the net revenues of the Division and the Special Funds. The Special Funds include the construction fund, the debt service fund, the debt service reserve fund, the rate stabilization fund, the contingency fund and the balance subfund.

The indenture requires that the City will at all times prescribe, charge and collect such rates, rental and other charges for the use of the services of the system and will restrict the operating expenses of the system in such a way that the net revenues available for debt service in each fiscal year shall be not less than the greater of i) 120.0% of debt service on all bonds then outstanding and payable during the fiscal year or ii) 100.0% of the sum of (a) debt service on all bonds then outstanding payable during that fiscal year, (b) all required deposits to the debt service reserve fund during that fiscal year, (c) all required deposits to the subordinated debt service fund and to any reserve fund securing subordinated indebtedness during the fiscal year, (d) all required deposits to the contingency fund during the fiscal year and (e) debt service payable on any other obligations payable from the balance subfund and deposits to any reserve funds securing such other obligations. As of December 31, 2024, the Division was in compliance with the terms and requirements of the indenture.

The indenture establishes the following fund accounts for the application of revenues:

***Revenue Fund*:** All revenues of the system are required to be deposited first into the revenue fund. Every month, amounts in the fund are first applied to the payment of operating expenses. A reasonable amount is also maintained in this fund as a working capital reserve.

***Debt Service Fund*:** Deposits are made from the revenue fund on a monthly basis to cover succeeding principal and interest payments as they become due on the revenue bonds.

***Debt Service Reserve Fund*:** Deposits will be made to this fund if the amount in the fund at any given time is less than the debt service reserve requirement. Amounts in the fund were deposited from the proceeds of the revenue bonds secured by the reserve fund and represent the maximum annual debt service requirement of these bonds. The City may elect not to secure any series of bonds with the reserve fund.

***Contingency Fund*:** The balance in this fund must be maintained at a minimum of $1,000,000. Amounts in this fund may be used for the payment of capital costs or for redeeming bonds.

***Balance Subfund*:** Amounts in this fund may be used for any lawful purpose of the water pollution control system.

***Construction Fund*:** Proceeds of the various series of revenue bonds are deposited into this fund to be used, along with earnings from investments of amounts held therein, for the payment of capital costs and issuance costs. Amounts held in any fund may be invested by the City Treasurer or the trustee in permitted investments. However, the use of funds is limited by the bond indenture and, accordingly, the funds are classified as restricted assets in the accompanying financial statements.

NOTE B - LONG-TERM OBLIGATIONS (Continued)

The City has pledged future water pollution control revenues to repay $57,025,000 in Water Pollution Control Revenue Bonds issued in 2016 and 2024. Proceeds from the bonds have been used to pay capital costs relating to the acquisition, construction and improvement of the system. The bonds are payable from water pollution control net revenues and are payable through 2054. Annual principal and interest payments on the bonds are expected to require less than 20.0% of net revenues.

The total bond principal and interest remaining to be paid on the Water Pollution Control Revenue Bonds is $103,395,000. Principal and interest funded in the current year and total net revenues (including other available funds) were $2,134,000 and $20,484,000 respectively.

Water Pollution Control Loans: Under Title VI of the Clean Water Act, Congress created the State Revolving Fund (SRF). The SRF program provides federal capitalization grants to states, in addition to the 20% state matching funds, in order to capitalize state level revolving loan funds. Besides the traditional types of municipal wastewater treatment projects, Congress expanded the potential use of SRF funds to include correction of combined sewer overflows, major sewer rehabilitation and new collector sewers.

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. Principal balances on loans increase as project costs are incurred. Interest accrues on principal amounts outstanding during the construction period and is combined with the principal balance upon completion of the project. The repayment period for each loan commences no later than the 1st of 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. Construction loans and design loans are to be repaid in semi-annual payments of principal and interest over a period of twenty years and five years, respectively.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: The Division’s carrying amount of deposits at December 31, 2024, totaled $19,958,000 and the Division’s bank balances were approximately $25,310,000. The differences represent positions in pooled bank accounts and normal reconciling items. Based on the criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, $25,310,000 of the bank balances at December 31, 2024, was insured or collateralized with securities held by the City or by its agent in the City’s name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Division will not be able to recover deposits or collateral for securities that are in possession of an outside party. At year end, the Division’s deposits were fully insured or collateralized. All deposits are collateralized with eligible securities pledged and deposited either with the City or with a qualified trustee by the financial institution as security for repayment of all public monies deposited in the financial institution whose market value at all times is equal to at least 110.0% of the carrying value of the deposits being secured.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Investments: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City reports its investments at fair value based on quoted market values, where applicable and recognized the corresponding change in the fair value of the investments recorded in investment earnings in the year in which the change occurs. The City's investment policies are governed by State Statutes and City ordinances which authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; State Treasurer Asset Reserve Fund (STAR Ohio); commercial paper; U.S. Government Money Market Mutual Funds; guaranteed investment contracts; manuscript debt; bonds and other State of Ohio obligations; certificates of deposit; and repurchase transactions. Such repurchase transactions must be purchased from financial institutions or registered broker/dealers. Repurchase transactions are not to exceed a period of one year and confirmation of securities pledged must be obtained.

Generally, investments are recorded and are kept at the Federal Reserve Bank in the depository institutions' separate custodial account for the City, apart from the assets of the depository institution. Ohio Statute prohibits the use of reverse repurchase agreements.

Investment securities are exposed to various risks such as interest rate, market and credit. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect portfolio value.

***Interest Rate Risk*:** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Division invests primarily in both short and long-term investments maturing within five years from the date of purchase. The intent is to avoid the need to sell securities prior to maturity. Investment maturities are disclosed in the Concentration of Credit Risk section.

***Custodial Credit Risk*:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Division does not have an investment policy dealing with investment custodial credit risk beyond the requirement in the State Statute.

***Credit Risk*:** The Division's investments as of December 31, 2024 include STAR Ohio and money market mutual funds. The Division maintains the highest ratings for their investments. Investments in STAR Ohio, Federated Government Obligation Funds and the First American Government Obligations Fund carry a rating of AAAm, which is the highest money market fund rating given by S&P Global. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

***Concentration of Credit Risk*:** The Division's Investment Policy places a limitation on the amount it may invest in any one issuer to minimize the concentration of credit risk. The Division had the following investments at December 31, 2024, which include those classified as cash and cash equivalents in the statement of net position in accordance with the provisions of GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Accounting*, since they have a maturity of three months or less:

Type of Investment	2024 Fair Value	2024 Cost	Investment Maturities Less than One Year
	(Amounts in Thousands)		
STAR Ohio	$ 45,773	$ 45,773	$ 45,773
Money Market Mutual Funds	73,519	73,519	73,519
Total Investments	119,292	119,292	119,292
Total Deposits	19,958	19,958	19,958
Total Deposits and Investments	$ 139,250	$ 139,250	$ 139,250

These amounts are monies invested by the City Treasurer on behalf of the Division and are used in daily operations with excess monies invested daily in STAR Ohio and money market mutual funds. These investments are carried at cost which approximates fair value.

As of December 31, 2024, the investments in STAR Ohio and money market mutual funds are 38.4% and 61.6%, respectively, of the Division's total investments.

NOTE D - CAPITAL ASSETS

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

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024
	(Amounts in Thousands)			
Capital assets, not being depreciated:				
Land	$ 295	$	$	$ 295
Construction in progress	10,645	15,974	(2,201)	24,418
Total capital assets, not being depreciated	10,940	15,974	(2,201)	24,713
Capital assets, being depreciated:				
Land improvements	289		(191)	98
Utility plant	244,884	2,193	(51)	247,026
Buildings, structures and improvements	11,592	20		11,612
Furniture, fixtures, equipment and vehicles	17,506	1,191	(563)	18,134
Right to use assets	66	38		104
Total capital assets, being depreciated	274,337	3,442	(805)	276,974
Less: Accumulated depreciation	(147,256)	(5,725)	689	(152,292)
Total capital assets being depreciated, net	127,081	(2,283)	(116)	124,682
Capital assets, net	$ 138,021	$ 13,691	$ (2,317)	$ 149,395

Commitments: The Division had outstanding commitments of approximately $37,682,000 for future capital expenses at December 31, 2024. It is anticipated that these commitments will be financed from the Division's cash balances. However, at the discretion of the Division, additional long-term debt may be issued in the future to finance a portion of the costs.

NOTE E – DEFINED BENEFIT PENSION PLANS

Net Pension Liabilities/(Asset): The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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 liability/(asset) because it was created as a result of employment exchanges that already have occurred.

The net pension liability/(asset) represents the Division'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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability/(asset) is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). 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/(asset). Resulting adjustments to the net pension liability/(asset) 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/(asset) on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System (OPERS): The Division's employees participate in 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. While members (e.g. Division's employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments (COLA) to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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 OPERS, 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 Annual Comprehensive Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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

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 a 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 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 3.0% 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 3.0%.

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The Ohio Revised Code (ORC) provides statutory authority for member and employer. For 2024, member contribution rates were 10.0% and employer contribution rates were 14.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Division's contractually required contribution was $1,103,000 for 2024. All required payments have been made.

Pension Liability/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The net pension liability/(asset) for OPERS was measured as of December 31, 2023, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Division's proportion of the net pension liability/(asset) was based on the Division's share of contributions to the pension plan relative to the contributions of all participating entities. The following is information related to the proportionate share and pension expense:

	OPERS	
	Traditional	Combined
	(Amounts in Thousands)	
Proportionate Share of the Net Pension Liability/(Asset)	$ 11,230	$ (120)
Proportion of the Net Pension Liability/(Asset)	0.042894%	0.039017%
Change in proportion	(0.005278)%	(0.005003)%
Pension Expense	$ 725	$ 21

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

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

	OPERS	
	Traditional	Combined
	(Amounts in Thousands)	
Deferred Outflows of Resources		
Differences between expected and actual economic experience	$ 184	$ 5
Net difference between projected and actual earnings on pension plan investments	2,267	20
Change in assumptions		4
Change in Division's proportionate share and difference in employer contributions		22
Division's contributions subsequent to the measurement date	1,069	34
Total Deferred Outflows of Resources	$ 3,520	$ 85
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$	$ 12
Change in Division's proportionate share and difference in employer contributions	653	4
Total Deferred Inflows of Resources	$ 653	$ 16

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

The $1,103,000 reported as deferred outflows of resources related to pension resulting from the Division's contributions subsequent to the measurement date which will be recognized as a reduction/(increase) of the net pension liability/(asset) in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	
	Traditional	Combined
	(Amounts in Thousands)	
Year Ending December 31:		
2025	$ 100	$ 5
2026	573	8
2027	1,446	14
2028	(321)	
2029		3
Thereafter		5
Total	$ 1,798	$ 35

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/(asset) in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2023
Wage Inflation	2.75%
Future Salary Increases, including inflation	
Traditional Plan	2.75% - 10.75%
Combined Plan	2.75% - 8.25%
COLA or Ad Hoc COLA	2.75%, simple Pre 1/7/2013 retirees: 3%, simple Post 1/7/2013 retirees: 2.30% simple through 2024, then 2.05%, simple
Investment Rate of Return	6.90%
Actuarial Cost Method	Individual Entry Age

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

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

The most recent experience study was completed for the five-year period ended December 31, 2020.

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.

The allocation of investment assets with the Defined Benefit Portfolio is approved by the Board of Trustees (the Board) as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2023 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	2.85 %
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other Investments	5.00	3.46
Total	100.00 %	

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

NOTE E – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Division's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate: The following table presents the Division's proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 6.90%, as well as what the Division's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
		(Amounts in Thousands)	
Division's proportionate share of the net pension liability/(asset)			
Traditional Plan	$ 17,679	$ 11,230	$ 5,866
Combined Plan	(73)	(120)	(157)

NOTE F – DEFINED BENEFIT OPEB PLANS

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

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

The ORC limits the Division's obligation for this liability/(asset) to annually required payments. The Division cannot control benefit terms or the manner in which OPEB are financed; however, the Division does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability/(asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability/(asset) on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description – OPERS: 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Effective January 1, 2022, the Combined Plan is no longer available for member selection. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The ORC permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (Board) in Chapter 145 of the ORC.

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

Funding Policy: The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the Board, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0.0% and Combined Plan was 2.0% in 2024. 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 into the RMA for participants in the Member-Directed Plan for 2023 was 4.0%.

For the year ended December 31, 2024, OPERS did not allocate any employer contributions to the OPEB plan.

OPEB Liability/(Asset), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment and interest accruals during the year. The Division's proportion of the net OPEB liability/(asset) was based on the Division's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS (Amounts in Thousands)	
Proportionate share of the Net OPEB Liability/(Asset)	$	(383)
Proportion of the Net OPEB Liability/(Asset)		0.042428%
Change in Proportion Share		(0.005110)%
OPEB Expense	$	(40)

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2024, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS (Amounts in Thousands)
Deferred Outflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 230
Changes in assumptions	99
Change in Division's proportionate share and difference in employer contributions	32
Total Deferred Outflows of Resources	$ 361
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 55
Change in assumptions	165
Total Deferred Inflows of Resources	$ 220

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS (Amounts in Thousands)
2025	$ 11
2026	29
2027	179
2028	(78)
Total	$ 141

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.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*:

Wage Inflation	2.75%
Projected Salary Increases, including wage inflation	2.75% to 10.75%
Single Discount Rate:	
Current Measurement Date	5.70%
Prior Measurement Date	5.22%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current Measurement Date	3.77%
Prior Measurement Date	4.05%
Health Care Cost Trend Rate:	
Current Measurement Date	5.50%, initial 3.50%, ultimate in 2038
Prior Measurement Date	5.50%, initial 3.50%, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets with the Health Care Portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2023 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.82 %
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other Investments	5.00	2.43
Total	100.00 %	

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

Discount Rate: A single discount rate of 5.70% was used to measure the total OPEB liability/(asset) on the measurement date of December 31, 2023. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.77%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, the duration of the projection period through which projected health care payments are fully funded.

NOTE F – DEFINED BENEFIT OPEB PLANS (Continued)

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

	1% Decrease 4.70%	Current Discount Rate 5.70%	1% Increase 6.70%
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability/(asset)	$ 210	$ (383)	$ (874)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenses will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuarial projected premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease 2.50%	Current Health Care Cost Trend Rate Assumption 3.50%	1% Increase 4.50%
	(Amounts in Thousands)		
Division's proportionate share of the net OPEB liability/(asset)	$ (399)	$ (383)	$ (365)

NOTE G – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The Division uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the present value of subscription payments, payable during the remaining SBITA term. A SBITA is presented as a right to use asset in the Capital Assets section, on the government-wide *Statement of Net Position* and presented as part of right to use assets in the Capital Assets footnote.

The Division has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the SBITA liability presented in the table below. The Division did not incur expenses related to its SBITA activities such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment.

Furthermore, the Division does not have commitments under SBITA that have not commenced as of December 31, 2024.

As of December 31, 2024, the Division had minimum principal and interest payment requirements for its SBITA activities, with a remaining term in excess of one year, as follows:

	Total Principal	Total Interest	Total
	(in thousands)		
2025	$ 35	$ 1	$ 36
2026	13		13
SBITA Liability:	$ 48	$ 1	$ 49

The Division had SBITA assets in the amount of $104,287 net of accumulated amortization of $43,989, for a net SBITA asset of $60,298.

NOTE H - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Contingent Liabilities: Various claims are pending against the City involving the Division for personal injuries, property damage and other matters, which the City is responsible for. The City's management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Division's financial position, results of operations or cash flows.

Risk Management: The Division is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Division is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2024.

NOTE H - CONTINGENT LIABILITIES AND RISK MANAGEMENT (Continued)

The City provides the choice of two separate health insurance plans to its employees. The operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers' compensation retrospective rating program.

In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Claims liability for the Division is immaterial.

NOTE I - RELATED PARTY TRANSACTIONS

Revenues and Accounts Receivable: The Division provides sewer services to the City, including its various departments and divisions. Standard consumption rates are charged, except for the Division of Fire, public buildings and certain other facilities owned by the City, which by ordinance are provided free sewer services.

Operating Expenses*:* The Division is provided various intra-city services. Charges are based on actual use or on a reasonable pro-rata basis. The more significant costs for the year ended December 31, 2024, was as follows:

	(Amounts in Thousands)
Division of Water	$ 2,907
Utilities Administration and Utilities Fiscal Control	1,271
City Administration	611
Motor Vehicle Maintenance	309
Telecommunications	192

Billing, collection and various other services for the Division are performed by the Division of Water for a fee. This fee is primarily based on the number of billings made on behalf of the Division during the year at the same rates as charged to other users of the billing system. These fees were approximately $2,244,000 in 2024.

NOTE J - CUYAHOGA COUNTY REAL PROPERTY TAXES

The Division is required by ordinance to keep records of the estimated property taxes which would be payable to Cuyahoga County were it subject to such taxes. The estimated property taxes for the Division, based on book value of real estate at the current tax rates, would have been approximately $21,000 for the year ended December 31, 2024.

NOTE K – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the Division to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the Division would be responsible to address any public safety issues associated with their sewage treatment system and the permit would specify the procedures required to dispose of all or part of the sewage treatment system. At this time, the Division does not have an approved permit from Ohio EPA to dispose of all or part of their sewage treatment system. Due to the lack of specific legal requirements for retiring the sewage treatment system, the Division has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated.

NOTE L – RESTATEMENT OF AN ACCOUNTING PRINCIPLE

For 2024, the Division implemented GASB Statement No. 101, *Compensated Absences*. It established standards to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The implementation of GASB Statement No. 101 had the following effect on net position as reported December 31, 2023:

	Net Position December 31, 2023	Restatement	Restated Net Position December 31, 2023
		(Amounts in Thousands)	
Beginning net position:	$ 146,391	$ (343)	$ 146,048

CITY OF CLEVELAND, OHIO
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information

Schedule of the Division's Proportionate Share of the Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Ten Years (1)

	Division's Proportion of the Net Pension Liability/ (Asset)	Division's Proportionate Share of the Net Pension Liability/ (Asset)	Division's Covered Payroll	Division's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
		(Amounts in Thousands)			
Traditional:					
2015	0.054153 %	$ 6,511	$ 6,783	95.99 %	86.45 %
2016	0.047798	8,979	6,092	147.39	81.08
2017	0.047965	11,245	6,367	176.61	77.25
2018	0.049706	8,110	6,585	123.16	84.66
2019	0.048216	13,840	6,850	202.04	74.70
2020	0.047654	9,849	7,443	132.33	82.17
2021	0.049994	7,399	7,657	96.63	86.88
2022	0.049240	4,284	7,800	54.92	96.62
2023	0.048172	14,230	7,214	197.26	75.74
2024	0.042894	11,230	8,014	140.13	79.01
Combined:					
2022	0.046187	(182)	7,800	(2.33)	169.88
2023	0.044020	(104)	7,214	(1.44)	137.14
2024	0.039017	(120)	8,014	(1.50)	144.55

(1) Information presented for each year was determined as of the Division's measurement date, which is the prior year end.

Note to Schedule:

Change in assumptions. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.0% down to 7.5% (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.5% down to 7.2%. There were no changes in assumptions in 2020 and 2021. For 2022, the most significant changes of assumptions that affected the total pension liability/(asset) since the prior measurement date was the assumed rate of return and discount rate were reduced from 7.2% down to 6.9%. There were no changes in assumptions for 2023 and for 2024.

In 2022, the Division presented the Combined Pension Plan separately. In prior years it was netted with the Traditional Pension Plan.

CITY OF CLEVELAND
DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

Schedule of Contributions - Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Ten Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2015	$ 731	$ (731)	$ -	$ 6,092	12.00 %
2016	764	(764)	-	6,367	12.00
2017	856	(856)	-	6,585	13.00
2018	959	(959)	-	6,850	14.00
2019	1,042	(1,042)	-	7,443	14.00
2020	1,072	(1,072)	-	7,657	14.00
2021	1,092	(1,092)	-	7,800	14.00
2022	1,010	(1,010)	-	7,214	14.00
2023	1,122	(1,122)	-	8,014	14.00
2024	1,103	(1,103)	-	7,879	14.00

(1) Represents Division’s calendar year.

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DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

Schedule of the Division's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System
Last Eight Years (1), (2)

	Division's Proportion of the Net OPEB Liability/(Asset)	Division's Proportionate Share of the Net OPEB Liability/(Asset)	Division's Covered Payroll	Division's Proportional Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)
	(Amounts in Thousands)				
2017	0.047116 %	$ 4,758	$ 6,367	74.73 %	54.05 %
2018	0.048898	5,310	6,585	80.64	54.14
2019	0.047654	6,425	6,850	93.80	46.33
2020	0.046995	6,715	7,443	90.22	47.80
2021	0.049278	(878)	7,657	(11.47)	115.57
2022	0.048497	(1,519)	7,800	(19.47)	128.23
2023	0.047538	300	7,214	4.16	94.79
2024	0.042428	(383)	8,014	(4.78)	107.76

(1) Information presented for each year was determined as of the Division’s measurement date, which is the prior year end.

(2) Information prior to 2017 in not available. The Division will continue to present information for years available until a full ten-year trend is compiled.

Note to Schedule:

In 2018, the single discount rate changed from 4.23% to 3.85%. In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00% and the health care cost trend rate changed from 7.5% initial to 10.0% initial. In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030. In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend changed from 10.5% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035. Also in 2021, the net OPEB liability changed to a net OPEB asset. In 2022, the health care cost trend rate changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034. In 2023, the single discount rate changed from 6.00% to 5.22%. The municipal bond rate also changed from 1.84% to 4.05%. The health care cost trend rate changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036. In 2024, the single discount rate changed from 5.22% to 5.70%. The municipal bond rate changed from 4.05% to 3.77%.

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DEPARTMENT OF PUBLIC UTILITIES
DIVISION OF WATER POLLUTION CONTROL

Required Supplementary Information (Continued)

Schedule of Contributions - Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System
Last Nine Years (1), (2), (3)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Division's Covered Payroll	Contributions as a Percentage of Covered Payroll
	(Amounts in Thousands)				
2016	$ 127	$ (127)	$ -	$ 6,367	2.00 %
2017	66	(66)	-	6,585	1.00
2018	-	-	-	6,850	0.00
2019	-	-	-	7,443	0.00
2020	-	-	-	7,657	0.00
2021	-	-	-	7,800	0.00
2022	-	-	-	7,214	0.00
2023	-	-	-	8,014	0.00
2024	-	-	-	7,879	0.00

(1) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members of the Traditional Plan, the Combined Plan and the Member-Directed Plan.

(3) Represents Division's calendar year. Information prior to 2016 is not available. The Division will continue to present information for years available until a full ten-year trend is compiled.