OHIO AUDITOR OF STATE
KEITH FABER

METROPOLITAN SEWER OF GREATER CINCINNATI
HAMILTON COUNTY
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1605 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic 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 financial position of the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio as of December 31, 2021 and 2020, and the changes in financial position and its cash flows 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 District, 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

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 District'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.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio
May 19, 2022

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MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)

This section of the Metropolitan Sewer District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal years ended December 31, 2021 and December 31, 2020. Please read it in conjunction with the District's basic financial statements and footnotes, beginning on page XX.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Assets and deferred outflows exceeded liabilities and deferred inflows by $1,191 million at the close of the 2021 fiscal year.
- The District's net position increased by $114,871 million in 2021, or 10.7%.
- During fiscal year 2021, the District's total assets increased $24.7 million to $2,391 million, a 1.0% increase.
- Total long-term liabilities decreased $368 million to $956 million in fiscal year 2021.
- The District's debt service coverage ratio remains strong at 1.8 for fiscal year 2021.

FINANCIAL STATEMENTS OVERVIEW

Financial Reporting Entity– The Metropolitan Sewer District of Greater Cincinnati is a Hamilton County enterprise fund managed and operated by the City of Cincinnati. The District is operated pursuant to the authority of the Revised Code authorizing the formation of joint sewer districts, agreements between counties and municipal corporations. The District provides sewage treatment within a service area of approximately 400 square miles and encompasses portions of four counties in southwestern Ohio. The District provides wastewater removal and treatment to over 220,000 residential, commercial and industrial sewer connections and operates and maintains over 3,000 miles of sanitary and combined sewers, seven major wastewater treatment plants and 100 pump stations. As an enterprise fund, operations are reported on the full accrual basis of accounting: revenues are recognized when earned, and expenses are recognized when incurred. The County issues a separate Comprehensive Annual Financial Report which includes the District as a separate enterprise fund of the County. The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial status.

Financial Statement Structure --

In addition to the Independent Auditor's Report, the annual financial report consists of three segments:

- The Management's Discussion and Analysis provides explanations for, and analysis of the District's financial activities based upon currently known facts, conditions, and decisions of the District's management. While primarily focused on current year results compared with prior years, this discussion also addresses certain long-term issues, which may, in management's opinion, impact the District's financial performance.
- Basic Financial Statements, which depict the District's financial position as of December 31, 2021 and 2020, along with earnings performance and cash flow information. These statements include

the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

- The accompanying notes explain some of the financial statement data and provide more detailed information.

Required Basic Financial Statements -- The Statement of Net Position is the first required statement; it includes the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and nature and extent of obligations (liabilities) with the difference being reported as net position. It also provides the basis for computing the rates of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation also need to be considered in assessing the District's financial condition. The Statement of Revenues, Expenses, and Change in Net Position is the second required financial statement which demonstrates the changes in net position from one fiscal period to the next by accounting for revenues and expenditures and measuring the financial results of operations. This statement measures the profitability (i.e. change in net position) of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, and capital and noncapital financing activities. It also provides information regarding sources of cash, uses of cash, and changes in cash balances during the reporting period.

Notes to the audited financial statements contain information essential to understanding them, such as the District's significant accounting policies and information about certain financial statement account balances.

FINANCIAL ANALYSIS

Table A below shows that in fiscal year 2021, 86.4% of the District's net position reflects its investment in capital assets (e.g., buildings, sewer laterals, and equipment), less related debt still outstanding used to acquire those assets. These capital assets are used primarily in the collection and treatment of wastewater throughout the District's service area.

- The related liabilities will be repaid with resources provided by system users through rates and fees. Long-term debt (net of the current portion) decreased by $53.1 million in 2021, or -5.98%, and decreased by $34.2 million in 2020, or -3.85%.
- Net position increased $114.9 million in 2021 and decreased $59.9 million in 2020. Percentage increase/decreases over the two-year period of 10.7%, and -5.3%, respectively. Total expenses in both years were due to fluctuations attributable to accounting for pensions.

Table A
Condensed Summary of Net Position
(In Thousands)

	2021	Percentage Increase (Decrease) over 2020	2020	Percentage Increase (Decrease) over 2019	2019	Percentage Increase (Decrease over 2018
Current and other assets	$ 94,712	18.8%	$ 79,756	19.6%	$ 66,692	-2.5%
Noncurrent (restricted) Assets	$ 429,415	-6.5%	$ 459,288	-10.9%	$ 515,270	-2.6%
Capital assets, net	$1,867,200	2.2%	$ 1,827,577	4.0%	$ 1,757,052	5.1%
Total assets	2,391,327	1.0%	2,366,621	1.2%	2,339,014	3.6%
Deferred Outflows	$ 24,169	-81.4%	$ 129,753	44.6%	$ 89,737	200.2%
Current liabilities	$ 83,657	9.4%	$ 76,484	-9.7%	$ 84,745	2.8%
Noncurrent liabilities	$ 956,132	-27.8%	$ 1,324,567	10.3%	$ 1,200,583	13.5%
Total liabilities	$1,039,789	-25.8%	$ 1,401,051	9.0%	$ 1,285,328	12.7%
Deferred Inflows	$ 184,994	849.6%	$ 19,481	152.1%	$ 7,756	-53.6%
Net investment in capital assets	$1,029,342	8.9%	$ 944,971	11.6%	$ 847,027	11.2%
Restricted	$ 4,482	-2.0%	$ 4,573	-36.2%	$ 7,172	1.5%
Unrestricted	$ 156,889	24.2%	$ 126,298	-55.1%	$ 281,498	-24.5%
Total Net Position	$1,190,713	10.7%	$ 1,075,842	-5.3%	$ 1,135,697	-5.0%

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Table B below shows total operating revenues for fiscal year 2021 of $266.0 million, an increase of $8.5 million, or 3.3%. Operating revenues were $257.5 million, a decrease of $14.8 million, or -5.4% in 2020. Meanwhile, total expenses decreased $180.5 million, or 53.8%, in 2021 and increased $33 million, or 10.9%, in 2020. Decreases/Increases in total expenses in both those years was due to fluctuations attributable to accounting for pensions.

Table B
Condensed Summary of Revenues
Expenses and Changes in Net Position
(In Thousands)

	2021	Percentage Increase (Decrease) over 2020	2020	Percentage Increase (Decrease) over 2019	2019	Percentage Increase (Decrease) over 2018
Operating revenues	$ 266,026	3.3%	$ 257,484	-5.4%	$ 272,273	-2.0%
Nonoperating revenues	(179)	-101.3%	13,930	-23.1%	18,121	25.0%
Total revenues	265,847	-2.1%	271,414	-6.5%	290,394	1.0%
Depreciation and amortization expense	$ 67,813	2.1%	$ 66,437	-0.3%	$ 66,628	2.3%
Other operating expenses	119,506	-4.6%	125,252	-0.1%	125,343	5.9%
Pension Expense	(59,287)	-152.0%	114,027	52.2%	74,942	992.3%
Nonoperating expenses	27,078	-9.5%	29,934	-16.4%	35,810	-1.9%
Total expenses	$ 155,110	-53.8%	$ 335,650	10.9%	$ 302,723	33.5%
Income from operations	$ 110,737	-272.4%	$ (64,236)	-120.4%	$ (12,329)	-12.0%
Capital contributions	$ 4,134	-5.6%	$ 4,381	-29.3%	$ 6,195	26.6%
Change in net position	$ 114,871	-291.9%	$ (59,855)	875.8%	$ (6,134)	-109.4%
Total Net Position, beginning	1,075,842	-5.3%	1,135,697	-0.5%	1,141,831	6.1%
Total Net Position, ending	$1,190,713	10.7%	$ 1,075,842	-5.3%	$ 1,135,697	-5.0%

- Operating expenses, excluding depreciation, amortization and net pension expense, decreased by $5.7 million to $119.5 million in 2021 from $125.3 million in 2020. The decrease was due to a decrease in Purchased Services and Other Operating expenses. 2020 saw a decrease of $.9 million, or -0.1%, over the prior year. The decrease was due to utilities, fuel, supplies, purchased services and other expenses.
- Salary and wages decreased $2.9 million to $54.8 million in 2021 compared to $57.7 million in 2020. This was a combination of Salary and Wages and Benefits.
- Depreciation expense increased $1.3 million, or 2.1%, in 2021. Depreciation expense decreased $.2 million, -0.3%, in 2020 compared to the prior year.

- Non-operating expenses for 2021 were $27.1 million, a decrease of $2.9 million or -9.5%. 2020 decreased $5.9 million, or -16.4%, due to changes in interest expense and the fair value of investments.
- The City of Cincinnati offered an Early Retirement Incentive Program (ERIP) in 2007. In 2016, District paid the City $8,723,061, its share of the remaining liability to the City Retirement System. This amount represents in full the liability for the years 2015-2021 and is being amortized over 7 years. ERIP amortization expense was $1,273 million in 2021 final year, and $1,250 million in 2020.

Table C reflects year-end capital balances. As of December 31, the District's investment in capital assets (net of accumulated depreciation) amounted to $1,867 million in 2021, $1,828 million in 2020. Capital assets increased $100 million, or 3.4%, on system improvement projects, land acquired for those projects and equipment replacement in 2021. Capital contributions were $4.1 million and $4.4 million in 2021 and 2020, respectively.

Capital construction and sewer improvement projects were 37.3% in 2021 and 33.1% of the program in 2020. Additional information on the District's capital assets can be found in Note 5 to the financial statements.

Table C
Capital Assets
(In Thousands)

	2021	Percentage Increase (Decrease) over 2020	2020	Percentage Increase (Decrease) over 2019	2019	Percentage Increase (Decrease) over 2018
Land	$ 12,313	20.9%	$ 10,188	0.0%	10,188	0.0%
Buildings	356,939	0.1%	356,666	0.0%	356,666	0.2%
Equipment	751,084	3.4%	726,265	4.3%	696,317	2.0%
Sewer Laterals	1,420,974	5.4%	1,348,645	3.0%	1,309,864	1.3%
Construction in progress	489,374	0.2%	488,533	14.1%	428,108	35.7%
Subtotal	$3,030,684	3.4%	$ 2,930,297	4.6%	$ 2,801,143	5.4%
Less accumulated depreciation	1,163,484	5.5%	1,102,720	5.6%	1,044,091	6.0%
Net capital assets	$1,867,200	2.2%	$ 1,827,577	4.0%	$ 1,757,052	5.1%

Bond Issuances

The District finances its construction program through a combination of revenue bonds, state revolving loans through the State of Ohio and cash, with the primary source being tax-exempt revenue bonds. The District's revenue bond rates are:

- Moody's Investors Services Aa2
- Standard & Poor's Corporation AA+

Revenue bond service Debt Coverage in 2021 was 289% and 271% in 2020, compared to an Agency policy of 150% (25% higher than indenture requirements). The total debt coverage for 2021 was 183% and 177% in 2020, compared to the indenture requirement of 125%.

Rate Increase - Hamilton County Commissioners have not approved a rate increase of the District's sewer fee for 2016 - 2022. The District's large capital program to meet Federal EPA requirements will likely necessitate a rate increase in the near future.

GASB 68

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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Metropolitan Sewer District of Greater Cincinnati is not responsible for certain key factors affecting the balance of this liability. The Metropolitan Sewer District of Greater Cincinnati employees are covered by two pension systems. They are the City of Cincinnati Retirement System (CRS), and the Ohio Public Employees Retirement System (OPERS). The City of Cincinnati Retirement System (CRS) is accounted for as a single employer defined benefit pension plan. For CRS, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are set by the City of Cincinnati ordinance. The CRS system provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City of Cincinnati makes employer contributions based on a percentage of covered payroll of all CRS members. For Ohio PERS, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

The COVID-19 Crisis has District reassessing the 2022 budget expenditures.

For additional information on the Management Discussion and Analysis please contact:

Metropolitan Sewer District of Greater Cincinnati
Office of the Director
1600 Gest Street, Cincinnati, OH 45204

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Metropolitan Sewer District
Statement of Net Position
For The Periods Ended December 31, 2021 And December 31, 2020
(All amounts expressed in thousands)

	2021	2020
ASSETS		
Current assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati (Note 2)	$ 19,918	$ 20,876
Accounts receivable (Note 3)	41,438	40,575
Prepaid expenses and other (Note 14)	1,543	3,449
Total current assets	62,899	64,900
Noncurrent assets:		
Restricted assets:		
Cash, cash equivalents, and pooled investments held by the City of Cincinnati		
Construction account (Note 2)	57,193	25,610
Amount to be transferred to surplus account (Note 2)	66,352	61,485
Held by trustee: (Note 4)		
Cash and cash equivalents (Note 2)	4,537	69,663
Investments - Held to maturity (Note 2)	301,333	302,530
Total restricted assets	429,415	459,288
Other assets:		
Other	31,813	14,856
Total other assets	31,813	14,856
Capital assets: (Note 5)		
Land	12,313	10,188
Buildings	356,939	356,666
Sewer Laterals	1,420,974	1,348,645
Equipment	751,084	726,265
Construction in progress	489,374	488,533
Total capital assets	3,030,684	2,930,297
Less:		
Accumulated depreciation	(1,163,484)	(1,102,720)
Net capital assets	1,867,200	1,827,577
Total noncurrent assets	2,328,428	2,301,721
Total assets	2,391,327	2,366,621
Deferred outflow of resources		
Deferred charges on refunding	6,021	7,348
Deferred Pension Outflows	18,148	122,405
Total Deferred Outflow of Resources	24,169	129,753

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Net Position
For The Periods Ended December 31, 2021 And December 31, 2020
(All amounts expressed in thousands)

	2021	2020
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Current portion of long-term debt (Note 6)	54,118	51,046
Current portion of compensated absences (Note 8)	4,692	4,123
Accounts payable	6,687	5,880
Accrued payroll expenses	2,638	2,957
Total current liabilities payable from current assets	68,135	64,006
Payable from restricted assets:		
Construction accounts payable	13,694	10,505
Accrued interest payable	1,828	1,973
Total current liabilities payable from restricted assets	15,522	12,478
Total current liabilities	83,657	76,484
Noncurrent liabilities:		
Accrued compensated absences (Note 8)	4,267	6,276
Long-term debt (Note 6)	834,319	887,372
Net Pension Liability CRS (Note 9)	115,415	425,757
Net Pension Liability OPERS	2,131	3,093
Net Other Post Employment Benefit Liability (Note 10)	0	2,069
Total noncurrent liabilities	956,132	1,324,567
Total liabilities	1,039,789	1,401,051
Deferred Inflow of resources		
Deferred Pension Inflows (Note 10)	184,994	19,481
Net position:		
Net investment in capital assets	1,029,342	944,971
Restricted	4,482	4,573
Unrestricted (Note 15)	156,889	126,298
Total Net Position	$ 1,190,713	$ 1,075,842

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Revenue, Expenses and Changes in Fund Net Position
For The Periods Ended December 31, 2021 And December 31, 2020
(All amounts expressed in thousands)

	2021	2020
REVENUES		
Operating revenues:		
Sewerage service charges	$ 243,605	$ 231,510
Sewer surcharges	17,856	22,331
All other revenues	4,565	3,643
Total operating revenues	266,026	257,484
EXPENSES		
Operating expenses:		
Personnel services:		
Salary and Wages	54,812	57,703
Pension Expense	(59,287)	114,027
Purchased services	33,882	35,998
Utilities, fuel and supplies	20,477	20,219
Depreciation and amortization	67,813	66,437
Other expenses	10,335	11,332
Total operating expenses	128,032	305,716
Operating income	137,994	(48,232)
NONOPERATING		
Nonoperating revenues (expenses):		
Interest income	4,463	9,323
Change in fair value of investments	(4,642)	4,607
Interest expense	(27,078)	(29,934)
Total nonoperating revenues (expenses)	(27,257)	(16,004)
Income (loss) before contributions	110,737	(64,236)
-		
Capital contributions	4,134	4,381
Change in net position	114,871	(59,855)
Total net position, beginning	1,075,842	1,135,697
Total net position, ending	$ 1,190,713	$ 1,075,842

The notes to the financial statements are an integral part of the financial statements

Metropolitan Sewer District
Statement of Cash Flows
For The Periods Ended December 31, 2021 And December 31, 2020

	2021	2020
Cash flows from Operating Activities:		
Cash received from customers	$ 258,984	$ 255,121
Cash payments for goods and services	(63,867)	(66,325)
Cash payments for personnel costs	(56,527)	(56,498)
Other operating revenues	3,348	3,136
Net Cash Provided by Operating Activities	141,938	135,434
Cash Flows from Capital and Related Financing Activities:		
Principal and interest payments on long-term debt	(81,043)	(80,624)
Acquisition and construction of capital assets	(97,719)	(126,440)
Loan proceeds	2,936	1,942
Transfer into construction account from trustee investment account	126,366	82,711
Transfer from operating cash account to trustee investment account	(61,485)	(64,881)
Tap-in fees	2,891	2,878
Proceeds from the sale of capital assets	120	285
Net Cash (Used) by Capital and Related Financing Activities	(107,934)	(184,129)
Cash Flows from Investing Activities:		
Purchase of government securities	(60,484)	(25,512)
Net increase (decrease) in fair value of cash and investments	(4,642)	4,607
Interest earned on investments	1,488	3,416
Net Cash Provided (Used) by Investing Activities	(63,638)	(17,489)
Net Increase (Decrease) in Cash and Cash Equivalents	(29,634)	(66,184)
Cash and Cash Equivalents at January 1	177,634	243,818
Cash and Cash Equivalents at December 31	$ 148,000	$ 177,634
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income from operations	$ 137,994	$ (48,232)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	67,813	66,437
Capital Expenses moved to Operating	40	2,018
Operating Expenses moved to Capital	0	0
Changes in assets and liabilities:		
Net change in customer accounts receivable	(863)	751
Net change in prepaid assets	(633)	(464)
Net change in other assets	(16,957)	(14,700)
Net change in operating accounts payable	807	4
Net change in accrued payroll and related expenses	(2,062)	2,265
Net Pension Liability	(311,304)	188,246
Net Other Post Employment Benefit Liability (Note 10)	(2,069)	(31,181)
Net Change in cash received from customers	(8)	980
Net Change in Deferred Charges on Refunding Outflows	1,327	1,327
Net Change in Deferred Pension Outflows	104,257	(41,343)
Net Change in Deferred Pension Inflows (Note 10)	165,513	11,755
Net Change in Capital Expenses 7600 moved to Fixed Assets in Fund 701	(1,917)	(2,429)
Net Cash Provided by Operating Activities	$ 141,938	$ 135,434
Non-cash Transactions:		
Structures donated as contributed capital in aid of construction	$ 2,546	$ 3,456
Acquisition and construction of capital asset paid directly by WPCLF loan proceeds	3,314	18,142
Construction accounts payable related to acquisition of capital assets	13,694	10,505

The notes to the financial statements are an integral part of the financial statements

NOTE 1 - ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the accompanying financial statements follows:

Organization

The Metropolitan Sewer District of Greater Cincinnati (District), an enterprise fund of the County of Hamilton, Ohio, collects and treats industrial and residential wastewater for municipalities and unincorporated areas of Hamilton County. District was formed on April 10, 1968, pursuant to resolutions of the Board of County Commissioners of Hamilton County and Ordinances of the City of Cincinnati, providing for a consolidation of the City Sewer Department and the County Sewer District. The two entities executed an agreement with an initial 50-year term. Per the agreement, the City is responsible for operational management. The original agreement was set to expire in April 2018 but has since been extended indefinitely by the Federal District Court. The parties remain in mediation in Federal District Court to resolve their remaining disputes.

Under a contract with the City of Cincinnati, the Board designated the City as its agent for the maintenance and operation of District. The annual budget, prepared on a non-GAAP budgetary basis of accounting, is approved by the Board and administered by the City. Budgetary control is exercised at the divisional level, and between personnel and all other costs. The County issues a separate Comprehensive Annual Financial Report which includes District as a separate enterprise fund of the County.

Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

Use of Estimates

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

Statement of Cash Flows

For purposes of the Statements of Cash Flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Pooled cash and investments held by the City of Cincinnati are considered cash equivalents by District.

Investments

District is required by Ohio law to invest in only United States obligations; federal agency securities; Ohio bonds and other obligations or such obligations of political subdivisions of the state, provided that the subdivisions are located within Hamilton County; time certificates of deposit or deposit accounts in an eligible institution; and no load money market mutual funds consisting only of investments mentioned above. Investments are required to mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of District.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

Prepaids

Payments made for services that will benefit periods beyond fiscal year end December 31, 2021, are recorded as prepaids using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Inventory

Supplies and materials are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

Capital Assets

Capital assets include land, construction in progress, buildings, sewer laterals and mains, studies and equipment. Capital assets are defined as assets with an initial, individual cost of more than $5,000.

Capital assets are stated at historical cost for assets acquired after District's inception in 1968. Assets which were acquired prior to 1968 and not identifiable with specific historical costs are not included in the capital assets balance. Assets acquired by District through contributions, such as contributions from land developers and federal and state grants, are capitalized and recorded in the plant records at the contributors' reported cost. Construction costs include the cost of in-force labor. See Note 5 for more information on capital assets.

Land acquired for District's use is titled to either the City of Cincinnati or Hamilton County. The cost of this land has been recorded on the books of District since it has the full benefit of the land as an economic resource.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the respective assets. The estimated lives are as follows:

Building	40 years
Sewer Laterals	40 years
Equipment	5-25 years

Any gain or loss arising from the disposal of capital assets has been credited or charged to income.

Unamortized Financing Costs

The unamortized financing costs include insurance, consulting and attorney fees incurred in connection with the revenue bond obligations. These amounts are being amortized on the straight-line method over the lives of the revenue bonds. Bond premiums and discounts are being amortized on the interest method over the lives of the revenue bonds.

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. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For District, deferred outflows of resources are reported on the statement of net position for deferred charges on refunding, pension and other postemployment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For District, deferred inflows of resources have been recorded in the statement of net position for pension and OPEB, as explained in Notes 9 and 10.

Pension/OPEB Plans

Employees participate in either the City of Cincinnati's Retirement System or the Ohio Public Employees Retirement System. For purposes of measuring net pension liabilities and net OPEB assets, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair values.

Compensated Absences

Compensated absences include accrued vacation time, sick leave, compensatory time and other related payments. Compensatory time and vacation time are paid out in full upon termination and are expensed in the year earned. Sick leave is paid out at various levels. The liability for sick leave is computed with the Termination Payment Method using an historical average of total years worked and total amount paid. The current amounts are an average of the annual expenditures. The entire compensated absence liability is reported on the financial statements.

Net Position

Net positions are the difference between assets, deferred outflows, deferred inflows, and liabilities. Net investment in capital assets are capital assets less accumulated depreciation and any outstanding long-term debt related to the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are legal limitations that are imposed on their use by county legislation or external restrictions by other governments, creditors or grantors. Restricted net positions of the District relate to debt service.

District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. District does not have net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for wastewater treatment. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

Contributions of Capital

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

Customer Assistance Program (CAP)

A Customer Assistance Program (CAP) was approved by the Board of Commissioners in April 2019 to take effect on July 31, 2019. This program is a 25% discount on sewer bills offered to low-income seniors over the age of 65. Depending on the number of customers that apply, the District estimates this could affect revenue in the amount of $250,000 up to $2.2 million, with 100% participation.

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NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105 percent, or 102 percent if the financial institution participates in the Treasurer of State's Ohio Pooled Collateral System, of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The District is required to categorize deposits and investments according to GASB Statement No. 3 *Deposits with Financial Institutions, Investments, and Reverse Purchase Agreements*. The carrying value of the District's cash and cash equivalent deposits was $143,463,000 and $107,971,000 at December 31, 2021 and 2020, respectively.

Amounts held by the City of Cincinnati are invested on District's behalf in accordance with the Cincinnati Municipal Code. Amounts held by the City are collateralized as part of the City's cash and investment balances. For GASB 40 disclosure requirements, refer to the financial statements as of June 30, 2021, for the City of Cincinnati.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized and subject to custodial credit risk.

Investments

State Statute, board of county commissioners resolutions, and the 1985 Trust Indenture as amended authorize the District to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily. Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The District has no investment policy that addresses interest rate risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Funds held by the trustee are eligible investments as defined by the Trust Agreement and are in the name of the trustee for the benefit of District.

Investments made by District are summarized below. Trustee account investments are categorized according to credit risk into the following categories: (1) insured or registered, or securities held by District or its agent (bank trust department) in the District's name; or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name; or (3) uninsured, unregistered securities held by the counterparty, or its trust department or agent but not in District's name. Money market funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. As stated in GASB Statement No. 40, obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk and do not require disclosure of credit quality.

The money market funds are invested in a treasury obligation fund with a Moody's credit rating of Aaa.

Concentration of Credit Risk: The Metropolitan Sewer District uses the City of Cincinnati's Investment Policy which addresses concentration of credit risk by requiring investments to be diversified to reduce risk of loss resulting from over concentration of assets in a specific issue or class of security. The following table includes the percentage of each investment type held by District at December 31, 2021.

Investment Type	Fair Value	% of Total
Deposits held by the City of Cincinnati	$143,463	31.92
U.S. Agency Securities	172,549	38.40
U.S. Treasury Securities	128,829	28.67
Money Market Funds	4,537	1.01
	$449,378	100.00

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments of the financial statements and the classification per GASB Statement No. 3 is as follows:

(all amounts in thousands)

December 31, 2021	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$148,000	$301,378
Money Market Funds	(4,537)	4,537
Total	$143,463	$305,915

(all amounts in thousands)

December 31, 2020	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$177,636	$302,527
Money Market Funds	(69,665)	69,665
Total	$107,971	$372,192

Fair Value Measurements: District categorizes its fair value measurements within the fair value hierarchy establish by GASB Statement No. 72. District has the following recurring fair value measurements as of December 31, 2021:

	Fair Value Measurements Using *(amounts in thousands)*		
Investments by Fair Value Level	Fair Value	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasury Securities	$128,829	128,829	
U.S. Agency Securities	$172,549		172,549
	$301,378	$ 128,829	$ 172,549

U.S. Treasury securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. U.S. Agency securities classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by investment managers.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

(all amounts in thousands)	**2021**	**2020**
Sewer charges and surcharges:		
Unbilled amount	$21,407	$20,702
Billed amount	33,170	28,015
Less Allowance for doubtful accounts	(14,932)	(10,015)
Other	1,793	1,873
Total	$41,438	$40,575

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NOTE 4 - RESTRICTED ASSETS

The Trust Agreement for the Series A Revenue Bonds (see Long-Term Debt Note) requires the establishment of certain trust accounts including a Bond Account, Bond Reserve Account, and a Surplus Account to be held by the Trustee. The Bond Account will be used to accumulate periodic principal and interest payments. The Bond Reserve Account will be funded in an amount equal to the highest annual future debt service requirement. The Surplus Account is available to be used for any other Sewer System purpose. The Trust Agreement also requires the creation of a Construction Account to be held by the City to pay for project costs. At December 31, 2021 and 2020 the following balances (at fair value) were maintained in the trust accounts:

(all amounts in thousands)

	2021	2020
Held by trustee:		
Reserve	$44,890	$50,163
Bond retirement	4,537	4,573
Surplus	256,443	317,457
Total	$305,870	$372,193

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NOTE 5 - CAPITAL ASSETS

(all amounts in thousands)

December 31, 2021	**Beginning Balance**	**Increase**	**Decrease**	**Ending Balance**
Capital Assets, not being depreciated:				
Land	$ 10,188	$ 2,125		$ 12,313
Construction in progress	488,533	104,032	(103,191)	489,374
	$ 498,721	$ 106,157	$ (103,191)	$ 501,687
Capital Assets, being depreciated:				
Buildings	356,666	273	-	356,939
Equipment	726,265	25,554	(735)	751,084
Sewer Laterals	1,348,645	78,642	(6,313)	1,420,974
	2,431,576	104,469	(7,048)	2,528,997
Total Capital Assets	2,930,297	210,626	(110,239)	3,030,684
Less accumulated depreciation:				
Buildings	170,678	7,285		177,963
Equipment	366,400	20,507	(735)	386,172
Sewer Laterals	565,642	33,707		599,349
Total Accumulated Depreciation	1,102,720	61,499	(735)	1,163,484
Net Capital Assets	$ 1,827,577	$ 149,127	$ (109,504)	$ 1,867,200

Capital Asset category Sewer Laterals is comprised of two asset types, one is Sewer Lateral which are depreciated and Study Assets which are amortized.

In 2021, Capital Assets depreciation expense was $61,499,000 and Study Assets amortization expense was $6,314,000 for a total depreciation and amortization expense of $67,813,000 for the year.

(all amounts in thousands)

December 31, 2020	**Beginning Balance**	**Increase**	**Decrease**	**Ending Balance**
Capital Assets, not being depreciated:				
Land	$ 10,188			$ 10,188
Construction in progress	428,108	135,713	(75,288)	488,533
	$ 438,296	$ 135,713	$ (75,288)	$ 498,721
Capital Assets, being depreciated:				
Buildings	356,666		-	356,666
Equipment	696,317	31,177	(1,229)	726,265
Sewer Laterals	1,309,864	45,373	(6,592)	1,348,645
	2,362,847	76,550	(7,821)	2,431,576
Total Capital Assets	2,801,143	212,263	(83,109)	2,930,297
Less accumulated depreciation:				
Buildings	163,280	7,398		170,678
Equipment	347,685	19,932	(1,217)	366,400
Sewer Laterals	533,126	32,516		565,642
Total Accumulated Depreciation	1,044,091	59,846	(1,217)	1,102,720
Net Capital Assets	$ 1,757,052	$ 152,417	$ (81,892)	$ 1,827,577

Capital Asset category Sewer Laterals is comprised of two asset types, one is Sewer Lateral which are depreciated and Study Assets which are amortized.

In 2020, Capital Assets depreciation expense was $59,845,000 and Study Assets amortization expense was $6,592,000 for a total depreciation and amortization expense of $66,437,000 for the year.

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NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following:

(all amounts in thousands)

	Principal Issue	Interest Rate %	Year of Maturity	2021	2020
Revenue Bonds					
2020	74,525	5.00	2035	$ 70,505	$ 74,525
2019 - Direct Placement	107,970	4.00-5.00	2034	102,320	107,970
2015	52,520	3.00-5.00	2025	7,790	11,460
2014	162,650	4.00-5.00	2032	115,470	124,365
2013 (a)	258,695	0.45-5.00	2038	142,700	150,465
				438,785	468,785
Ohio Water and Sewer Rotary Commission	-	-	-	50	50
Ohio Public Works Commission	-	0.00-3.00	2041	281	355
Water Pollution Control Loan Fund	-	2.50-3.50		366,666	379,947
Capital Lease Payable	15,000	2.00-5.00	2029	7,405	8,150
Total obligations				813,187	857,287
Bond Premiums				75,250	81,131
Deferred loss on defeasance				(6,021)	(7,348)
Current maturities				(54,118)	(51,046)
Long-term portion				$ 828,298	$ 880,024

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

(all amounts in thousands)

	Revenue Bonds		Direct Placement Bonds		WPCLF*		OPWC		Capital Lease	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 25,365	$ 16,823	$ 5,865	$ 5,116	$ 22,069	$ 7,493	$ 39	$ 2	$ 780	$ 316
2023	26,615	15,555	6,150	4,823	22,618	6,978	40	1	825	240
2024	27,945	14,224	6,450	4,515	23,113	6,448	25	-	860	207
2025	29,345	12,828	6,760	4,192	22,999	5,898	10	-	895	173
2026	31,590	11,360	7,090	3,855	23,150	5,355	11	-	930	137
2027-2031	124,270	34,993	40,535	13,639	115,034	18,590	52	-	3,115	211
2032-2036	55,355	11,736	29,470	2,995	67,066	7,741	52	-	-	-
2037-2041	15,980	1,208	-	-	27,212	4,015	52	-	-	-
2042-2046					22,698	2,393	-			
2047-2051					20,707	765				
	$336,465	$ 118,727	$102,320	$ 39,135	$ 366,666	$ 65,676	$ 281	$ 3	$ 7,405	$ 1,284

* This represents the WPCLF loan balances outstanding at 12/31/2021. The total WPCLF loan availability is $406,047.

Bond discount, premium, and loss on defeasance activity for the year:

December 31, 2021	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium	$ 81,131	$ (5,881)	$ -	$ -	$ 75,250
Loss on defeasance	(7,348)	1,327	-	-	(6,021)
Total	$ 73,783	$ (4,554)	$ -	$ -	$ 69,229

December 31, 2020	Beginning Balance	Amortized	Refunded	Issued	Ending Balance
Bond Premium	$ 67,951	$ (5,690)	$ 18,870	$ -	$ 81,131
Loss on defeasance	(8,675)	1,327	-	-	(7,348)
Total	$ 59,276	$ (4,363)	$ 18,870	$ -	$ 73,783

Long-term debt activity for the year:

(all amounts in thousands)

December 31, 2021	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds	$ 360,815	$ -	$ 24,350	$ 336,465
Revenue Bonds - Direct Placement	$ 107,970		$ 5,650	$ 102,320
Ohio Water and Sewer Rotary Commission	50	-	-	$ 50
Ohio Public Works Commission	355	-	74	$ 281
Water Pollution Control Loan Fund	379,946	6,863	20,143	$ 366,666
Capital Lease Payable	8,150	-	745	7,405
Total	$ 857,286	$ 6,863	$ 50,962	$ 813,187

December 31, 2020	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds	$ 410,505	$ 74,525	$ 124,215	$ 360,815
Revenue Bonds - Direct Placement	$ 107,970			$ 107,970
Ohio Water and Sewer Rotary Commission	50	-	-	$ 50
Ohio Public Works Commission	514	-	159	$ 355
Water Pollution Control Loan Fund	376,198	21,557	17,809	$ 379,946
Capital Lease Payable	8,870	-	720	8,150
Total	$ 904,107	$ 96,082	$ 142,903	$ 857,286

Revenue Bonds – Direct Placement

Effective November 26, 2019, District issued $107,970,000 Series A, Direct Placement Bond dated November 26, 2019. The proceeds from the 2019 Series A Bonds were used to defease the 2009B Revenue Bonds and pay for cost of issuance. The 2019 Series A Bonds were issued at a premium of $23,045,166. The 2019A Bonds are special obligations of the District, payable solely from the new revenues of the District and were issued on parity with the 2009 and 2010, 2013, 2014, 2015 bonds, secured equally and ratably under the Trust Agreement.

Revenue Bonds

a) Effective November 17, 2020, District issued $74,525,000 Series A, Sewer System Refunding Revenue Bonds dated November 17, 2020. The proceeds from the 2020 Series A Bonds were used to defease portions of the 2010A and 2010B revenue bonds and pay for the cost of issuance. The 2020 A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 2010, 2013, 2014, 2015, 2019 bonds secured equally and ratable under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund $101,000,000 of outstanding 2010A and 2010B Bonds. As a result, these bonds are considered defeased and the liability of those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an account premium of $18,870,385, District has, in effect, reduced its aggregate debt service payments by $18,190,000, and obtained a present value of savings of $13,091,284.

b) Effective March 3, 2015, District issued $52,520,000 Series A, Sewer System Refunding Revenue Bonds dated March 3, 2015. The proceeds from the 2015 Series A Bonds were used to defease portions of the 2005A revenue bonds and pay for the cost of issuance. The 2015A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund $60,360,000 of outstanding 2005A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of $1,464,000 in accordance with GASB 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, District has, in effect, reduced its aggregate debt service payments by $16,845,000, and obtained a present value of savings of $6,363,000.

c) Effective November 19, 2014, District issued $162,650,000 Series A, Sewer System Refunding Revenue Bonds dated November 19, 2014. The proceeds from the 2014 Series A Bonds were used to defease portions of the 2003, 2005, and 2006 revenue bonds and pay for the cost of issuance. The 2014A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund $750,000 of outstanding 2003 Series A Bonds, $61,190,000, of outstanding 2005 Series B Bonds, $60,620,000 of outstanding 2006 Series A Bonds, $52,505,000 of outstanding 2007 Series A Bonds, and $6,790,000 of outstanding 2009 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of $14,949,000 in accordance with GASB 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, District has, in effect, reduced its aggregate debt service payments by $70,966,000, and obtained a present value of savings of $24,543,000.

d) Effective July 31, 2013, District issued $178,760,000 Series A, Sewer System Refunding Revenue Bonds and $79,935,000 Series B, Sewer System Refunding Revenue Bonds dated July 31, 2013. A portion of the proceeds from the 2013 Series A and 2013 Series B Bonds were used to defease portions of the 2003 and 2004 revenue bonds and pay for the cost of issuance. The 2013A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, 2009B, 2010A, and 2010B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund $112,720,000 of outstanding 2003 Series A Bonds, and $28,470,000 of outstanding 2004 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

The remaining proceeds from the 2013 Series A and 2013 Series B bonds were used to permanently fund certain previous capital expenditures and fund the new bond reserve requirements.

e) Effective November 3, 2010, District issued $43,595,000 Series A, Sewer System Refunding Revenue Bonds dated November 3, 2010. The proceeds from the 2010 Series A Bonds were used to defease portions of the 2000, 2001, and 2003 revenue bonds and pay for the cost of issuance. The 2010A bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

A portion of the proceeds was used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service to refund $2,730,000 of outstanding 2000 Series A Bonds, $25,290,000 of outstanding 2001 Series A Bonds, and $17,035,000 of outstanding 2003 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of $3,379,000 in accordance with GASB 23, the District in effect reduced its aggregate debt service payments by $8,824,000 and obtained and economic gain (difference between the present values of the old and new debt service payments) of $5,304,000.

Effective November 3, 2010, District issued $87,080,000 Series B Sewer System Improvement Revenue Bonds (Build America Bonds) dated November 3, 2010. The proceeds from the 2010 Series B bonds were used to permanently fund certain previous capital expenditures, fund the new bond reserve requirements and pay the cost of issuance. The 2010 Series B bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on a parity with the 1997, 2000, 2001, 2003A, 2003B, 2004, 2005A, 2005B, 2006, 2007, 2009A, and 2009B bonds, secured equally and ratably under the Trust Agreement.

The 2010 and 2009 bonds may be redeemed prior to their maturities in accordance with provisions of the bond resolutions. The redemption process for the bonds includes declining premiums up to 2 percent of principal.

At December 31, 2021, and December 31, 2020 the amount of defeased debt outstanding was $296,085,000 and $318,320,000, respectively**.**

Maturities for bonds over the next five years and thereafter are shown below:

(all amounts in thousands)

Year	2020 Bonds	2019 Bonds	2015 Bonds	2014 Bonds	2013 Bonds	Total
2022	6,070	5,865	1,810	9,330	8,155	$ 31,230
2023	6,360	6,150	1,900	9,795	8,560	$ 32,765
2024	6,675	6,450	1,990	10,285	8,995	$ 34,395
2025	7,000	6,760	2,090	10,810	9,445	$ 36,105
2026	7,335	7,090	-	11,595	12,660	$ 38,680
2027-2032	18,660	40,535	-	60,435	45,175	$164,805
2032-2036	18,405	29,470	-	3,220	33,730	$ 84,825
2037-2042					15,980	$ 15,980
	$ 70,505	$102,320	$ 7,790	$ 115,470	$142,700	$438,785

Under the terms of the amended revenue bond trust indenture, District has agreed to certain covenants, among other things, to restrict additional borrowing, maintain rates sufficient to meet debt service requirements and maintain specified fund balances under trust agreements.

The Revenue bond issues as discussed above contain covenants which require District to maintain a level of debt service coverage. The following calculation reflects District’s debt service coverage.

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(all amounts in thousands)

	2021	2020
Revenues:		
Total operating revenues	$ 266,026	$ 257,484
Interest income	4,463	9,323
Tap-in/connection fees	2,607	3,457
Total pledged revenue	273,096	270,264
Total operating and maintenance expenses less depreciation and amortization, pension expense	119,506	125,252
Net income available for debt service (a)	$ 153,590	$ 145,012
Principal and interest requirement on revenue bonds (b)	$ 53,169	$ 53,528
Principal and interest requirements on obligations (c)	$ 83,868	$ 82,081
Debt service coverage		
Revenue bonds (a) divided by (b)	289%	271%
All obligations (a) divided by (c)	183%	177%
Maximum debt service coverage required on revenue bonds	125%	125%

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Ohio Water Development Authority Contracts

All contracts between the Ohio Water Development Authority (OWDA) and the Metropolitan Sewer District require District to prescribe and charge such rates for sewer usage which are sufficient (after expenses of operation and maintenance) to pay principal and interest on OWDA contracts. The principal is repayable in equal semi-annual installments to maturity.

Water Pollution Control Loan Fund

The District has received low interest loan commitments from the Ohio Water Pollution Control Loan fund for certain qualified projects. As the projects progress the commitments are drawn down. The principal is repayable in semi-annual installments to the date of maturity for each project.

Ohio Water and Sewer Rotary Commission

Advances from Ohio Water and Sewer Rotary Commission represent tap-in fees and acreage assessments to be forwarded to the Commission upon collection from customers. Such advances do not bear interest unless they are determined to be in default.

Ohio Public Works Commission

The District has entered into agreements with the Ohio Public Works Commission (OPWC) for financing of certain qualified capital projects. As the projects progress the commitments are drawn down as funds are paid by OPWC directly to the contractors. The principal is repayable in semi-annual installments to the date of maturity for each project.

Interest on Long-Term Obligations

The following interest costs were incurred and expensed or capitalized as part of the cost of District's additions to capital assets.

(all amounts in thousands)

	2021	2020
Interest incurred	$ 27,078	$ 29,934
Less interest capitalization	-	-
Interest expense	$ 27,078	$ 29,934

District has implemented the GASB 89 Accounting for Interest Cost incurred before the end of a construction period in 2018.

NOTE 7 – CAPITAL LEASE

The District entered into a capital lease for a new engineering building in 2010. The lease obligation meets the criteria of a capital lease. The leased asset was capitalized at the amount of the present value of the minimum lease payments at inception of the lease. Capital asset acquired under capital lease is as follows:

Buildings	$15,000,000

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

(all amounts in thousands)

Fiscal Year Ending December 31,	Long-Term Debt
2022	$ 1,096
2023	1,065
2024	1,067
2025	1,067
2026	1,068
2027-2029	3,326
Total Minimum Lease Payments	8,689
Less: Amount Representing Interest	(1,284)
Present value of Minimum Lease Payments	$ 7,405

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NOTE 8 – COMPENSATED ABSENCES

Compensated Absences

Compensated absences consist of vacation time, sick pay and compensatory time. The following is a summary of activity for 2021 and 2020. $4,692 is considered due within one year for compensated absences as of December 31, 2021.

(all amounts in thousands)

	Beginning Balance	Increase	Decrease	Ending Balance
2021	$ 10,399	$ 5,158	$ 6,598	$ 8,959
2020	$ 9,919	$ 4,603	$ 4,758	$ 10,399

NOTE 9 – DEFINED BENEFIT PENSION PLANS

District employees are covered by one of two pension systems: the Ohio Public Employees Retirement System (OPERS) and the City of Cincinnati Retirement System (CRS). OPERS is a cost-sharing multi-employer defined benefit pension plan. CRS is accounted for as a single-employer defined benefit plan.

Net Pension Liability

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

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

The net pension liability represents the District's actuarial present value (or with the OPERS cost-sharing, multiple-employer plan, District's proportionate share of the pension plan's collective actuarial present value) of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually. District's share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

A. Ohio Public Employees Retirement System (OPERS)

Ohio Revised Code limits the District's obligation for liabilities to OPERS to annually required payments. The District cannot control benefit terms or the manner in which pensions from the cost-sharing, multiple-employer plan is financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

Plan Description – OPERS

A limited number of the District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., District employees) may elect the Member-Directed Plan or the Combined Plan, most employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' ACFR 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 year of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over 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 cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% 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%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For fiscal year 2021, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $273,000 for 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related – OPERS

The net pension liability for OPERS was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. The District's proportion, change in proportion and proportionate share of the net pension liability was 0.01439087%, a decrease of 0.0001258%, and $2,131,000, respectively. Pension expense for the District was a negative $408,000.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
District contributions subsequent to the measurement date	$ 273	$ -	$ 273
Net difference between projected and actual investment earnings	-	(831)	(831)
Difference between expected and actual experience	-	(90)	(90)
Change in District's proportionate share	-	(214)	(214)
	$ 273	$ (1,135)	$ (862)

$273,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of Resources
2022	$ (502)
2023	(181)
2024	(339)
2025	(113)
	$ (1,135)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 0.5% simple through 2021, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate (amounts in thousands):

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
MSD's proportionate share of the net pension liability	$ 4,065	$ 2,131	$ 523

Changes Subsequent to the Measurement Date. In September 2021, the Board approved several changes to the pension plan based on the completed five-year experience study covering the period 2016-2020. In addition to other changes, the Board approved to decrease the assumed pension investment rate of return from 7.20% to 6.90%. These changes are not reflected in the current measurement period but are expected to increase the associated pension liability.

B. City of Cincinnati Retirement System (CRS)

Plan Description – CRS

Employees who do not participate in OPERS participate in CRS. CRS is accounted for as a single-employer defined benefit pension plan. CRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CRS is considered part of the City of Cincinnati's financial reporting entity and is included in the City's financial report as a pension trust fund.

The financial report that includes financial statements, required supplementary information and detailed information about CRS' fiduciary net position may be obtained by visiting http://cincinnati-oh.gov/finance/financial-reports/. Article XV of the Administrative Code of the City of Cincinnati provides the statutory authority vesting the general administration and responsibility for the proper operation of the System in the Board of Trustees of the City of Cincinnati Retirement System.

Information in the remainder of this footnote is provided for the District's portion, being reported as an agency fund of the City, which also participates in and contributes to CRS, with a measurement date of June 30, 2021.

A major plan revision was approved by the City Council on March 16, 2011 and adopted by the CRS's Board. The plan allows for a two- and half-year transition period from July 1, 2011 to January 1, 2014. Active members who are eligible or become eligible to retire and elect to retire during this transition period can retire with 30 years of creditable service or at age 60 with at least five years of creditable service and will receive benefits according to the current plan as described below.

A Collaborative Settlement Agreement (CSA) was executed on May 7, 2015 and approved by the United States District Court on October 5, 2015. The CSA impacts employees who were retired on or before July 1, 2011 and employees who were in service on July 1, 2011 and who were vested (had 5 years' service credit) on that date. Employees who are members of the CRS who did not meet those criteria remained subject to the plan provisions adopted in Ordinances No 84-2011 and 85-2011.

The CSA implemented a number of changes to the CRS, including, but not limited to:

- Normal retirement eligibility;
- Early retirement eligibility;
- Retiree healthcare eligibility;
- Cost of living adjustments payable to retirees;
- Establishment of a Deferred Retirement Option Program (DROP);
- Creation of a 115 Trust for retiree healthcare benefits;
- Changes to the composition of the Board of Trustees; and
- Payoff of the 2007 Early Retirement Incentive Program (ERIP) liability.

Groups C & D Eligible to retire on or before July 1, 2011; or December 31, 2013	Group E Eligible to retire on or before December 31, 2013	Group F Hired before January 1, 2010 and not eligible for other groups	Group G Hired on or after January 1, 2010
Normal Retirement: Age 60 with 5 years of service, or any age with 30 years of service	**Normal Retirement:** Age 60 with 5 years of service, or any age with 30 years of service	**Normal Retirement:** Age 60 with 5 years of service, or any age with 30 years of service	**Normal Retirement:** Age 67 with 5 years of service, or age 62 with 30 years of service
Early Retirement: Age 55 with 25 years of service	**Early Retirement:** Age 55 with 25 years of service	**Early Retirement:** Age 55 with 25 years of service	**Early Retirement:** Age 57 with 15 years of service
Benefit Formula: 2.5% of AHC times years of service	**Benefit Formula:** 2.5% of AHC times years of service up to greater of 20 years or years of service as of July 1, 2011, and 2.2% thereafter	**Benefit Formula:** 2.5% of AHC times years of service up to greater of 20 years or years of service as of July 1, 2011, and 2.2% thereafter	**Benefit Formula:** 2.2% of AHC times years of service up to 30 years; 2.0% over 30 years

Average Highest Compensation (AHC) represents the average of the highest three consecutive years of earnings for Groups C and D. Group E will have a AHC with two separate components based upon the average of the highest three consecutive years of earnings for service through December 31, 2013 and the highest five consecutive years of earnings for service after January 1, 2014. Group F will have a AHC with two components based upon the average of the highest three consecutive years of earnings for service through June 30, 2011 and the highest five consecutive years of earnings for service after July 1, 2011. The AHC for Group G is based on the average of the highest five consecutive years of earnings. Upon retirement, members will not receive a cost-of-living-adjustment (COLA) for the first three retirement anniversary dates. Thereafter, a 3% simple COLA benefit will be provided. A COLA poverty exception is available for members who meet certain financial requirements.

In fiscal year 2021, an Early Retirement Incentive Program (ERIP) was offered to employees who met certain eligibility requirements. The ERIP provided two additional years of membership service credit to full-time employees who had 28 years or more of service credit (and were at least age 62 for Group G) or who had at least five years of service credit and were at least age 60 (or at least age 67 for Group G) by December 31, 2020. Only employees in CRS were eligible. The additional actuarial accrued liability associated with the fiscal year 2021 ERIP was approximately $24,671,000 and is to be funded by separate contributions made by the Plan over a 15-year period. The anticipated first payment is January 1, 2022.

Members of the Active Employee Class, under the Collaborative Settlement Agreement, who have a minimum of 30 years' service credit are eligible to participate in the deferred retirement option plan (DROP). Upon entry into DROP, the member's monthly pension benefit is calculated as if they retired on that date. DROP participants continue to work as a District employee and if eligible, may continue to be enrolled in a District sponsored employee healthcare plan. Maximum participation in the DROP is five years. Members who participate in DROP continue to contribute 9% of their pensionable earnings to CRS.

The participant's monthly pension benefit amount (calculated as described above), as well as 75% of the participant's required CRS employee contributions, and interest earnings on their DROP account balance, accumulate tax-deferred in an account held in trust by the CRS. Participants do not have access to the funds in their DROP account while employed and participating in the DROP. The balance of the participant's DROP account is paid out in a lump sum or to another tax-qualified account (such as an IRA or 457 Deferred Compensation Plan) selected by the participant within 120 days of their retirement effective date.

Membership in CRS as of the June 30, 2021, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits	4,225
Terminated plan members and beneficiaries (optionees)	
Entitled to future benefits	222
Deferred retirement option plan (DROP) participants	234
Active plan members:	
Full-time	2,631
Part-time	1,078
Total	8,390
Inactive participants**	9,234

** Participants who are former employees who have an employee account balance in the plan but are not otherwise vested in an employee provided benefit.

Funding Policy—Each member contributes at a rate of 9.0% of his pensionable wages for 2021. The percent contributed by employees is provided by Chapter 203 Section 73 of the Cincinnati Municipal Code. The District makes employer contributions based on a percentage of the covered payroll of all CRS members. For 2021, the contribution rate was 16.25%. The District's contributions to the City of Cincinnati Retirement System's Pension Fund for the year ending December 31, 2021, were $6,400,000.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The District reported a net pension liability of $115,415,000 and negative pension expense of $56,441,000.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
District contributions subsequent to the measurement date	$ 3,902	$ -	$ 3,902
Differences between expected and actual experience	7,553	-	7,553
Net difference between projected and actual investment earnings	-	(34,808)	(34,808)
Change in proportion	-	(3,181)	(3,181)
Change in assumptions	-	(123,604)	(123,604)
	$ 11,455	$ (161,593)	$ (150,138)

$3,902,000 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of Resources
2022	$ (126,019)
2023	(6,258)
2024	(8,178)
2025	(13,585)
	$ (154,040)

Actuarial Assumptions: Total pension liability was determined by the following actuarial valuations, using the following actuarial assumptions, applied to applicable periods included in the measurement :

Inflation	2.75%
Salary increases, including inflation	3.75% to 7.50%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.50%
Municipal bond index rate:	
Prior measurement date	2.21%

Single equivalent interest rate, net of pension plan investment expense, including inflation	
Measurement date	7.50%
Prior measurement date	3.56%

Active member mortality rates were based on the RP-2014 Mortality Table, with generational mortality improvement projections using the MP-2017 scale. Health inactive member mortality rates were based on the RP-2014 Mortality Table, with generational mortality improvement projections using the MP-2017 scale and set forward two years for both males and females. Disabled inactive member mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, with generational improvement projections using the MP-2017 scale.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the last actuarial experience study performed for the period January 1, 2012 to December 31, 2016, adopted on February 28, 2018.

Long Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using expected return and volatility figures which were developed by Marquette Associates using their asset allocation software. The program simulates a variety of economic environments based on macroeconomic variables, and this simulation allows us to model the underlying probabilities of capital market returns. By running the monthly simulations over a 10-year basis and performing 1,000 trials, they develop results for expectations of capital market performance. Expected risk and return values for all asset classes are updated every six months, as the underlying data and assumptions reflect current market values and trends.

The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	12.00 %	1.89 %
High Yield	2.00 %	4.18 %
Private Debt	3.00 %	9.54 %
All Cap U.S. Equity	18.50 %	7.48 %
Large-Cap Value Equity	3.50 %	7.18 %
Mid-Cap Value Equity	2.00 %	7.56 %
Small-Cap Value Equity	3.50 %	8.24 %
Non-U.S. All Cap	20.00 %	7.93 %
Emerging Markets-Small Cap	3.00 %	8.47 %
Real Estate Core Equity	7.50 %	6.07 %
Infrastructure	10.00 %	7.05 %
Risk Parity	5.00 %	4.94 %
Private Equity-FOF	10.00 %	11.34 %
Total	100.00 %	

* Geometric mean

Discount Rate. The discount rate used to measure the total pension liability was 7.50% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made as set out in the CSA. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Projected benefit payments are discounted at the long-term expected return on assets of 7.50%. By comparison, the single equivalent rate used to determine the total pension liability as of June 30, 2020, was 3.56%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following chart represents the District financial reporting entity's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate (amounts in thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Net Pension Liability	$ 164,082	$ 115,415	$ 74,194

Change in the Net Pension Liability: Changes in the District financial reporting entity's net pension liability for the measurement year ended June 30, 2021, were as follows (amounts in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2020.	$ 696,598	$ 270,841	$ 425,757
Changes for the year:			
Service cost	11,344	-	11,344
Interest	24,870	-	24,870
Benefit changes	4,537	-	4,537
Difference between expected and actual experience	15,853	-	15,853
Change in assumptions	(259,433)	-	(259,433)
Contributions - employer	-	6,400	(6,400)
Contributions - employee	-	3,723	(3,723)
Net investment income (loss)	-	88,994	(88,994)
Benefit payments, including refunds of employee contributions	(34,438)	(34,438)	-
Administrative expense	-	(334)	334
Other changes	-	8,730	(8,730)
Net changes	(237,267)	73,075	(310,342)
Balances at June 30, 2021	$ 459,331	$ 343,916	$ 115,415

The total pension liability (TPL) at the end of the measurement year, June 30, 2021, is measured as of the valuation date of December 31, 2020, and projected to June 30, 2021. Valuations will be completed every year. Each valuation will be rolled forward six months to provide the GAAP basis liability. There were assumption changes during the period, which are reflected in the amounts. The TPL and service cost have been determined using the entry age actuarial cost method as required by GASB Statement No. 67.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The two retirement systems District employees participate in provide defined benefit postemployment benefits other than pension. The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit OPEB plans. The City of Cincinnati Retirement System (CRS) is accounted for as a single-employer defined benefit OPEB plan.

Net OPEB Assets

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

The net OPEB asset reported on the statement of net position represents an asset to fund employee OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB is 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 obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB asset represents the District's actuarial present value (or with the OPERS cost-sharing, multiple-employer plan, District's proportionate share of the 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 asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, cost trends and other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The District's share of each fully-funded benefits as long-term *net OPEB assets* on the accrual basis of accounting.

A. Ohio Public Employees Retirement System (OPERS)

Ohio Revised Code limits the District's obligation for liabilities to OPERS to annual required payments. The District cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plan is financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability 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 Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement system to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset. Resulting adjustments to the net OPEB 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.

Plan Description— OPERS

The District contributes to the health care plans administered by OPERS. OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans; the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a 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 combined plans. 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 for their vested RMA balance.

In order to quality 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 another post-employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' ACFR referenced below for additional information.

The Ohio Revised Code 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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtm, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.
Funding Policy—The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2021. The OPERS 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 2021 was 4%.

OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB—OPERS

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB asset was based on the District's share of contributions to the respective retirement system relative to the contributions of all participating entities. The District's proportion change in proportion and proportionate share of the net OPEB asset was 0.01403706%, a decrease of 0.000942%, and $250,000, respectively. OPEB expense for the District was negative $1,620,000.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
District contributions subsequent to the measurement date	$ 3	$ -	$ 3
Net difference between projected and actual investment earnings	-	(134)	(134)
Difference between expected and actual experience	-	(226)	(226)
Change in assumptions	123	(405)	(282)
Change in District's proportionate share	-	(116)	(116)
	$ 126	$ (881)	$ (755)

$3,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of Resources
2022	$ (415)
2023	(269)
2024	(58)
2025	(16)
	$ (758)

Actuarial Assumptions—OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. 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:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	6.00%
Prior measurement period	3.16%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.00%
Prior measurement period	2.75%
Health care cost trend rate:	
Current measurement period	8.5% initial, 3.50% ultimate in 2035
Prior measurement period	10.5% initial, 3.50% ultimate in 2030
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employee's mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2019, 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 19.7% for 2019.

The allocation of investment assets within 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. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
Total	100.00%	4.43%

Discount Rate. A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. 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) 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 an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates. The following table present the net OPEB asset calculated using the single discount rate of 6.00% and the expected net OPEB asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate (amounts in thousands):

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
District' proportionate share of the net OPEB asset	$ 62	$ 250	$ 405

Sensitivity of the District's Proportionate Share of the Net OPEB 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% 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 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures 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 actuaries' project 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	Current Health Care Cost Trend Rate	1% Increase
District' proportionate share of the net OPEB asset	$ 256	$ 250	$ 243

B. City of Cincinnati Retirement System (CRS)

Plan Description – CRS

CRS provides health care coverage to eligible retirees, their spouse and dependent children and is accounted for as a single-employer defined benefit OPEB plan. Active members in Group C who have earned fifteen years of membership service at the time of termination are eligible upon retirement. Other active members are eligible for retiree health care upon their retirement after reaching age 60 with 20 years of membership service, or any age with 30 years of service of which 20 years must be earned with CRS. Active members whose most recent membership enrollment date is on or after January 1, 2016 are not eligible for retiree health care benefits upon retirement.

CRS offers medical and prescription benefits to retirees before and during Medicare eligibility. Prescription benefits for Medicare eligible participants are provided through a Medicare Part D Employer Group Waiver Plan. CRS administers three health care plans that differ by deductibles, co-pays and out-of-pocket maximums. Two plans are closed groups. The third plan for eligible members who retire on or after January 1, 2016, follows the most advantageous plan offered to active District employees.

Membership in CRS as of the June 30, 2021, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits*	5,110
Terminated plan members and beneficiaries (optionees)	
Entitled to future benefits	249
Deferred retirement option plan (DROP) participants	209
Active plan members:	
Full-time	1,767
Part-time	279
Total	7,614

* OPEB members include 1,427 spouses currently receiving retiree health benefits.

CRS is considered part of the City of Cincinnati's financial reporting entity and is included in the City's financial report as part of the pension trust fund. The financial report that includes the financial statements, required supplementary information and detailed information about CRS' fiduciary net position may be obtained by visiting http://cincinnati-oh.gov/finance/financial-reports/. Information in the remainder of this footnote is provided for the District's portion, being reported as an agency fund of the City, which also participates in and contributes to the CRS, with a measurement date of June 30, 2021.

Funding Policy — Most retirees are subject to premiums that range from 0% to 10%. Other retiree premiums range from 5% to 75% depending on their date of hire, years of service and age at retirement. All members electing to participant in the dental and/or vision plan are required to pay the full cost of coverage. As such, it was assumed that CRS has no liability under GASB Statement No. 74 for these benefits.

OPEB (Asset), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB—CRS

The District's net OPEB (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The District reported a net OPEB asset of $31,407,000 and negative OPEB expense of $2,091,000.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	$ 571	$ (5,322)	$ (4,751)
Net difference between projected and actual investment earnings	-	(10,332)	(10,332)
Change in proportion	226	(261)	(35)
Change in assumptions	5,497	(5,470)	27
	$ 6,294	$ (21,385)	$ (15,091)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (amounts in thousands):

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of Resources
2022	$ (4,175)
2023	(4,644)
2024	(2,291)
2025	(3,981)
	$ (15,091)

Actuarial Assumptions. The total OPEB liability in the following actuarial valuations were determined using the following actuarial assumptions, applied to the applicable periods included in the measurement:

Inflation:	
CPI	2.75%
Medical CPI	3.25%
Salary increases, including wage inflation	3.75% - 7.50%
Long-term investment rate of	

return	7.50%
Municipal bond index rate:	
Measurement date	2.16%
Prior measurement date	2.21%
Single equivalent interest rate, net of OPEB plan investment expense, including price inflation	
Measurement date	7.50%
Prior measurement date	7.50%
Health care cost trends:	
Medicare supplement claims	
Pre-Medicare	7.73% for 2020, decreasing to an ultimate rate of 4.00% by 2034.
Post-Medicare	8.73% / 8.80% for Non-Model and Model Plans, respectively, for 2020, decreasing to an ultimate rate of 4.00% by 2034.

The demographic actuarial assumptions used in the December 31, 2019, valuation were based on the results of the most recent actuarial experience study, adopted by the Board on March 1, 2018.

Pre-retirement mortality rates were based on RP-2014 healthy employee dataset mortality with fully generational projected mortality improvements using MP-2017. RP-2014 healthy employee dataset mortality rates for males and females have been set forward 2 years. Post-retirement mortality rates for health lives were based on RP-2014 total dataset mortality with fully generational projected mortality improvements using MP-2017. RP-2014 total dataset mortality rates for males and females have been set forward 2 years. For disabled lives, RP-2014 disabled retiree mortality with fully generational projected mortality improvements using MP-2017.

Of the CSA employee members eligible for DROP benefits, 60% are assumed to decline participation and 40% are assumed to be elect participation. Those electing to participate are assumed to remain in DROP for 3 years.

Of the vested members who terminate, it is assumed that 60% will leave their contributions in the plan in order to be eligible for a benefit at their normal retirement date while remaining 40% elect to withdraw their contributions.

Long Term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using expected return and volatility figures which were developed by Marquette Associates using their asset allocation software. The program simulates a variety of economic environments based on macroeconomic variables, and this simulation allows us to model the underlying probabilities of capital market returns. By running the monthly simulations over a 10-year basis and performing 1,000 trials, they develop results for expectations of capital market performance. Expected risk and return values for all asset classes are updated every six months, as the underlying data and assumptions reflect current market values and trends.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	12.00 %	1.89 %
High Yield	2.00 %	4.18 %
Private Debt	3.00 %	9.54 %
All Cap U.S. Equity	18.50 %	7.48 %
Large-Cap Value Equity	3.50 %	7.18 %
Mid-Cap Value Equity	2.00 %	7.56 %
Small-Cap Value Equity	3.50 %	8.24 %
Non-U.S. All Cap	20.00 %	7.93 %
Emerging Markets-Small Cap	3.00 %	8.47 %
Real Estate Core Equity	7.50 %	6.07 %
Infrastructure	10.00 %	7.05 %
Risk Parity	5.00 %	4.94 %
Private Equity-FOF	10.00 %	11.34 %
Total	100.00 %	

* Geometric mean

Determination of Discount Rate (SEIR). The plan uses the Bond Buyer G.O. 20 Year Bond Municipal Bond Index to satisfy the requirements under paragraph 48 of GASB Statement No. 74. As this Index is issued weekly, the value closest to, but after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond index rate at June 24, 2021 was 2.16% and 2.21% at June 25, 2020.

The discount rate used to measure the total OPEB liability as of June 30, 2021, was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of December 31, 2020. In addition to the actuarial methods and assumptions of the December 31, 2020, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- No future employee contributions were assumed to be made.
- No future employer contributions were assumed to be made.

Based on these assumptions, CRS' fiduciary net position was projected to never be depleted, as a result, the long-term expected rate of return was used in the determination of the single equivalent interest rate (SEIR). Here, the long-term expected rate of return of 7.50% on plan investments was applied to all periods, resulting in a SEIR at the measurement date of 7.50%

Sensitivity of the net OPEB (asset) to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB (asset) of the District, as well as what the District's net OPEB (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate. Similarly, the following also presents what the District's net OPEB (asset) would be if it were calculated.

using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (amounts in thousands):

	Healthcare Cost Trend Rates		
Distict' Net OPEB (Asset)	1% Decrease	Current Rate	1% Increase
1% Increase (8.50%)		$ (38,147)	
Current Discount Rate (7.50%)	$ (38,914)	(31,407)	$ (22,545)
1% Decrease (6.50%)		$ (23,471)	

Change in Net OPEB Liability/(Asset). Changes in the District's financial reporting entity's net OPEB liability/(asset) for the measurement year ended June 30, 2021, were as follows (amounts in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/ (Asset)
Balances at June 30, 2020	$ 67,997	$ 82,697	$ (14,700)
Changes for the year:			
Service cost	584	-	584
Interest	5,096	-	5,096
Benefit changes	3,035	-	3,035
Difference between expected and actual experience	255	-	255
Net investment income (loss)	-	26,077	(26,077)
Benefit payments, including refunds of employee contributions	(4,814)	(4,814)	-
Administrative expense	-	(98)	98
Other changes	-	(302)	302
Net changes	4,156	20,863	(16,707)
Balances at June 30, 2021	$ 72,153	$ 103,560	$ (31,407)

The total OPEB liability as of June 30, 2021, is based on the actuarial valuation results as of December 31, 2020. The total OPEB liability as of June 30, 2021, was determined using standard projection (roll forward) techniques. The roll forward calculation adds the normal cost (also called the service cost) for the projection period—for experience and assumption changes, the first half of 2021, subtracts the expected net benefit payments for the period, and then applies the SEIR used to measure the total OPEB liability as of the valuation date. The roll forward calculation for the expected change is determined using a similar procedure, except that the total OPEB liability and service cost are based on GASB Statement No. 75 results as of the prior measurement date, one year projection period used, and actual net benefit payments are subtracted. The difference between this expected total OPEB liability and the projected total OPEB liability as of June 30, 2021, before reflecting any changes of assumptions or other inputs is the experience (gain) or loss for the period.

NOTE 11 - RELATED PARTY TRANSACTIONS

Cincinnati Water Works provides billing and collection services on customers' accounts for District. Fees for these services for 2021 and 2020 were $6,135,855 and $6,693,664, respectively. Fees are also paid to other municipalities and villages within Hamilton County for collection of sewerage bills.

The City of Cincinnati provides "overhead" services to District, such as check disbursement, investment and legal services, etc. The fees for these services for 2021 and 2020 were $2,505,040 and $2,582,066, respectively. In addition, the City's Municipal Garage provides gasoline and repairs vehicles for District. Fees for these services were $1,556,704 and $1,591,354 for 2021 and 2020, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The City of Cincinnati and the Board of County Commissioners of Hamilton County, Ohio are parties to a Global Consent Decree, which was lodged in 2003 with the U.S. District Court for the Southern District of Ohio, Western Division. This decree focuses on combined sewer overflows, the implementation of the Sanitary Sewer Overflow Correction plan established in the Interim Partial Consent Decree, and other wet weather issues. The court approved the decrees on June 9, 2004. In August 2010, District's Revised Wet Weather Improvement Plan was approved by the federal government. The commitment was for District to complete a Phase 1 group of projects totaling $1.145 billion (in 2006 dollars). Work on Phase 1 is over 94% complete and $129 million under budget. Consent decree documents are posted on the District web site, msdgc.org, under consent decree.

As part of District's capital improvement program, District has entered into a number of contracts for construction, design, and other services. Commitments under these contracts aggregate approximately $85.5 million as of December 31, 2021, and 98.7 million as of December 31, 2020.

The State of Ohio Auditor's office released a Special Audit for the years 2009-2015. The Findings for Recovery amounted to $779,164, of which $22,619 and $212,635 was recovered in 2019 and 2018, respectively. In 2019, the balance owed to District was turned over to the Hamilton County Prosecutor's office for review and disposition.

NOTE 13 - RISK MANAGEMENT

District is part of the City of Cincinnati Risk Management Program. The City purchases commercial insurance to cover losses due to theft of, damage to, or destruction of assets and purchases general liability insurance for specific operations and professional liability insurance for certain operations. All other risks of loss are self-insured. Separately, District carries property insurance pursuant to an all-risk policy on District's buildings and equipment per the revenue bond trust agreement. There has been no reduction in insurance coverage from coverage in 2003. Insurance settlements for claims resulting from risks covered by commercial insurance have not exceeded the insurance coverage in any of the past four years.

NOTE 14 – PREPAID EXPENSES AND OTHER

The City of Cincinnati offered an Early Retirement Incentive Program (ERIP) in 2007. The City Retirement System was paid District's share of the remaining liability in the amount of $8,723,061. This amount represents in full the liability for 2015-2021 years. The payment was processed and paid in March 2016. The remaining prepaid expense balance was $0 for 2021 and $1,273,061 for 2020.

Prepaid Insurance was $229,783, and Accrued Interest Receivable was $1,313,460 at December 31, 2021, for a total Prepaid Expenses and Other of $1,543,243.

NOTE 15 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

There is a separate Consent Decree for the City Retirement System Plan court case, which may require additional employer share of pension contribution payments, however the exact dollar amount is unknown at this time.

The Board of County Commissioners authorized in March 2022, to enter into a Loan and Refinancing Agreements and authorization to provide for the Issuance of Taxable Convertible Sewer System Refunding Bonds. The Bonds shall not exceed $150,000,000 in aggregate principal amount.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of the MSD's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Eight Years (1) (2)
Table 1
(Amounts in thousands)

	MSD's Proportion of the Net Pension Liability	MSD's Proportionate Share of the Net Pension Liability	MSD's Covered Payroll	MSD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.01499479%	$ 1,766	$ 2,443	72.29%	86.36%
2015	0.01517751%	1,825	2,479	73.62%	86.45%
2016	0.01475990%	2,541	2,336	108.78%	81.08%
2017	0.01727562%	3,923	2,200	178.32%	77.25%
2018	0.01708312%	2,680	2,377	112.75%	84.66%
2019	0.01599242%	4,380	2,257	194.06%	74.70%
2020	0.01564887%	3,093	2,136	144.80%	82.17%
2021	0.01439087%	2,131	2,136	99.77%	86.88%

(1) Amounts presented for each year were determined as of MSD's measurement date, which is the prior year-end.
(2) Information prior to 2014 is not available.

Notes to Schedule:

Change in assumptions . In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Calendar Years
Table 2
(Amounts in thousands)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 275	$ (275)	$ -	$ 2,750	10.00%
2013	318	(318)	-	2,443	13.00%
2014	297	(297)	-	2,479	12.00%
2015	280	(280)	-	2,336	12.00%
2016	264	(264)	-	2,200	12.00%
2017	309	(309)	-	2,377	13.00%
2018	316	(316)	-	2,257	14.00%
2019	299	(299)	-	2,136	14.00%
2020	299	(299)	-	2,136	14.00%
2021	273	(273)	-	1,950	14.00%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of the MSD's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Five Years (1) (2)
Table 3
(Amounts in thousands)

	MSD's Proportion of the Net OPEB Liability/(Asset)	MSD's Proportionate Share of the Net OPEB Liability/(Asset)	MSD's Covered Payroll	MSD's Proportionate 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
2017	0.01786139%	$ 1,804	$ 2,200	82.00%	54.05%
2018	0.01664978%	1,808	2,377	76.06%	54.14%
2019	0.01550127%	2,021	2,257	89.54%	46.33%
2020	0.01497864%	2,069	2,136	96.86%	47.80%
2021	0.01403706%	(250)	2,136	(11.70%)	115.57%

(1) Amounts presented for each year were determined as of MSD's measurement date, which is the prior year-end.
(2) Information prior to 2017 is not available.

Notes to Schedule:

Change in assumptions. 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 7.50% initial to 10.00% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate 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 rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's OPEB Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Calendar Years
Table 4
(Amounts in thousands)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 110	$ (110)	$ -	$ 2,750	4.00%
2013	24	(24)	-	2,443	1.00%
2014	50	(50)	-	2,479	2.00%
2015	47	(47)	-	2,336	2.00%
2016	44	(44)	-	2,200	2.00%
2017	24	(24)	-	2,377	1.00%
2018	3	(3)	-	2,257	0.13%
2019	2	(2)	-	2,136	0.09%
2020	2	(2)	-	2,136	0.09%
2021	3	(3)	-	1,950	0.15%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Eight Years (1) (2)
Table 5
(Amounts in thousands)

	2021	2020	2019	2018	2017
Total pension liability					
Service cost	$ 11,344	$ 7,108	$ 4,489	$ 4,260	$ 3,764
Interest	24,870	30,825	32,602	30,470	29,256
Benefit changes	4,537	-	-	-	5,344
Difference between expected and actual experience	15,853	5,073	8,698	5,577	649
Changes of assumptions	(259,433)	151,500	101,687	9,403	-
Benefit payments and refunds	(34,438)	(33,311)	(32,110)	(31,436)	(30,612)
Other	-	-	-	-	-
Net change in total pension liability	(237,267)	161,195	115,366	18,274	8,401
Total pension liability - beginning	696,598	535,403	420,037	401,763	393,362
Total pension liability - ending (a)	459,331	696,598	535,403	420,037	401,763
Plan net position					
Contributions - employer	6,400	6,531	6,381	6,080	5,647
Contributions - member	3,723	3,775	3,677	3,521	3,246
Contributions - ERIP payoff	-	-	-	-	-
Net investment income (loss)	88,994	(3,973)	14,394	26,180	38,292
Benefit payments and refunds	(34,438)	(33,311)	(32,110)	(31,436)	(30,612)
Administrative expense	(334)	(355)	(278)	(277)	(288)
Other	8,730	(1,005)	(1,439)	(1,893)	(3,065)
Net change in plan net position	73,075	(28,338)	(9,375)	2,175	13,220
Plan net position - beginning	270,841	299,179	308,554	306,379	293,159
Plan net position - ending (b)	343,916	270,841	299,179	308,554	306,379
Net pension liability - ending (a) - (b)	$ 115,415	$ 425,757	$ 236,224	$ 111,483	$ 95,384
Ratio of plan net position to total pension liability	74.87%	38.88%	55.88%	73.46%	76.26%
Covered payroll	$ 40,549	$ 41,462	$ 40,764	$ 37,809	$ 34,942
Net pension liability as a percentage of covered payroll	284.63%	1026.86%	579.49%	294.86%	272.98%

(continued)

(1) Information prior to 2014 was not available. MSD will continue to present information for years available until a full ten-year trend is available.
(2) The measurement year is from July 1 through June 30.

See Notes to the Required Supplementary Pension Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Eight Years (1) (2)
Table 5 (continued)
(Amounts in thousands)

	2016	2015	2014
Total pension liability			
Service cost	$ 5,639	$ 5,346	$ 4,919
Interest	25,454	28,680	28,146
Benefit changes	(13,545)	-	-
Difference between expected and actual experience	734	(2,698)	-
Changes of assumptions	(111,431)	30,007	(3,381)
Benefit payments and refunds	(29,102)	(31,057)	(29,953)
Other	(35,654)	-	-
Net change in total pension liability	(157,905)	30,278	(269)
Total pension liability - beginning	551,267	520,989	521,258
Total pension liability - ending (a)	393,362	551,267	520,989
Plan net position			
Contributions - employer	4,639	5,596	7,252
Contributions - member	1,599	3,115	2,761
Contributions - ERIP payoff	8,723	-	-
Net investment income	(2,065)	9,455	49,002
Benefit payments and refunds	(29,102)	(31,057)	(29,953)
Administrative expense	(962)	(302)	(261)
Other	24,110	-	-
Net change in plan net position	6,942	(13,193)	28,801
Plan net position - beginning	286,217	299,410	270,609
Plan net position - ending (b)	293,159	286,217	299,410
Net pension liability - ending (a) - (b)	$ 100,203	$ 265,050	$ 221,579
Ratio of plan net position to total pension liability	74.53%	51.92%	57.47%
Covered payroll	$ 31,809	$ 31,232	$ 30,550
Net pension liability as a percentage of covered payroll	315.01%	848.65%	725.30%

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Pension Contributions
Cincinnati Retirement System
Last Ten Calendar Years
Table 6
(Amounts in thousands)

	Actuarially Determined Employer Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	$ 9,923	$ (6,676)	$ 3,247	$ 33,671	19.83%
2013	13,051	(6,179)	6,872	31,369	19.70%
2014	16,087	(5,303)	10,784	30,550	17.36%
2015	13,756	(4,328)	9,428	31,232	13.86%
2016	12,356	(5,169)	7,187	31,809	16.25%
2017	8,541	(5,941)	2,600	34,942	17.00%
2018	10,879	(6,226)	4,653	38,536	16.16%
2019	11,541	(6,455)	5,086	40,053	16.12%
2020	12,226	(6,521)	5,705	40,289	16.19%
2021	12,927	(6,498)	6,429	40,339	16.11%

See Notes to the Required Supplementary Pension Information.

Metropolitan Sewer District (MSD),Hamilton County, Ohio
Required Supplementary Information
Notes to the Required Pension Information
Cincinnati Retirement System
Table 7

Actuarial Assumptions:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	Open 30 year period
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increases, including wage inflation	3.75% to 7.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Single equivalent discount rate	7.50%

Changes of Benefit Terms:

In 2017, there were several changes in benefit provisions as a result of Ordinance 336-2016 adopted by the City Council on October 26, 2016. In addition to incorporating many of the changes mandated by the Collaborative Settlement Agreement (CSA), the Ordinance also:

- Established benefit and eligibility provisions for Group E and F members not covered under the CSA similar to employees who are covered under the CSA.
- Established a universal cost-of-living adjustment (COLA) suspension period for all members.
- Established a universal 3% simple COLA rate for all members

In 2016, there were several changes in benefit provisions as a result of the Collaborative Settlement Agreement (CSA) between the City and various plaintiff groups representing certain active and retired members of CRS as approved by the Court on October 5, 2015 and generally effective January 1, 2016.

Changes in Actuarial Assumptions and Methods:

In 2018, actuarial assumptions and methods were changed based on the results of the actuarial experience study dated February 28, 2018. These changes include reducing the price inflation assumption from 3.00% to 2.75%; updating the retirement, withdrawal and disability rates, updating the mortality rates for all members to a generational approach using the RP-2014 morality tables, updating the merit salary scale; increasing the assumed administrative expense as a percentage of payroll added to the normal cost from 0.75% to 0.80%; updating the assumed proportion of deferred vested members who elect to receive a deferred benefit and who will elect to withdraw their contributions; and updating the assumed percentage of members who are married for the purposes of valuing pre-retirement survivor benefits.

Metropolitan Sewer District (MSD),Hamilton County, Ohio
Required Supplementary Information
Notes to the Required Pension Information
Cincinnati Retirement System
Table 7 (continued)

Changes in Actuarial Assumptions and Methods (continued):

In 2019, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2046. Projected benefit payments beyond 2046 were discounted at the municipal bond rate of 3.50%, resulting in a single equivalent discount rate of 5.56%.

In 2020, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2041. Projected benefit payments beyond 2041 were discounted at the municipal bond rate of 2.21%, resulting in a single equivalent discount rate of 3.56%.

In 2021, the expected long-term rate of return of 7.50% was used for the discount rate with the projected future fiduciary net position not being depleted.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net OPEB Liability/(Asset) and Related Ratios
Cincinnati Retirement System
Last Four Years (1) (2)
Table 8
(Amounts in thousands)

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 584	$ 1,381	$ 1,155	$ 945
Interest	5,096	6,168	6,480	5,841
Benefit changes	3,035	(32,814)	-	-
Difference between expected and actual experience	255	(10,869)	475	3,030
Changes of assumptions	-	(11,168)	12,822	7,173
Benefit payments	(4,814)	(5,104)	(5,881)	(4,962)
Net change in total OPEB liability	4,156	(52,406)	15,051	12,027
Total OPEB liability - beginning	67,997	120,403	105,352	93,325
Total OPEB liability - ending (a)	72,153	67,997	120,403	105,352
Plan net position				
Net investment income (loss)	26,077	(1,139)	4,080	7,354
Benefit payments	(4,814)	(5,104)	(5,881)	(4,962)
Administrative expense	(98)	(102)	(79)	(78)
Other	(302)	(132)	(206)	(78)
Net change in plan net position	20,863	(6,477)	(2,086)	2,236
Plan net position - beginning	82,697	89,174	91,260	89,024
Plan net position - ending (b)	103,560	82,697	89,174	91,260
Net OPEB liability/(asset) - ending (a) - (b)	$ (31,407)	$ (14,700)	$ 31,229	$ 14,092
Ratio of plan net position to total OPEB liability/(asset)	143.53%	121.62%	74.06%	86.62%
Covered employee payroll	$ 28,755	$ 31,926	$ 33,066	$ 33,158
Net OPEB liability/(asset) as a percentage of covered employee payroll	(109.22%)	(46.04%)	94.44%	42.50%

(1) Information prior to 2018 was not available. MSD will continue to present information for years available until a full ten-year trend is available.
(2) The measurement year is from July 1 through June 30.

See Notes to the Required Supplementary OPEB Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's OPEB Contributions
Cincinnati Retirement System
Last FSix Calendar Years (1)
Table 9
(Amounts in thousands)

	Actuarially Determined Employer Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	MSD's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	$ 248	$ -	$ 248	$ 31,384	0.00%
2017	714	-	714	32,369	0.00%
2018	534	-	534	32,440	0.00%
2019	974	-	974	32,794	0.00%
2020	537	-	537	31,951	0.00%
2021	-	-	-	29,652	0.00%

(1) Information prior to 2016 is not available.

See Notes to the Required Supplementary OPEB Information.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required OPEB Information
Cincinnati Retirement System
Table 10

Actuarial Assumptions:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	Open 30 year period
Asset valuation method	Five-year smoothed market value
Inflation	CPI: 2.75%; Medical CPI: 3.25%
Salary increases, including wage inflation	3.75% to 7.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Initial health care cost trend rates	
Pre Medicare	7.73%
Medicare	8.73% (Non-Model Plan) / 48.80% (Model Plan)
Ultimate health care cost trend rates	
Pre Medicare	4.00%
Medicare	4.00%
Year ultimate health care cost trend rates reached	
Pre Medicare	2034
Medicare	2034

Change of Benefit Terms:

In 2021, the Plan offered an early retirement incentive program which provided two additional years of service that would count towards benefits and eligibility. Eligible members were those projected to be eligible for normal retirement as of July 1, 2020 or have earned at least 28 years of service as of July 1, 2020.

In 2020, the Plan moved all Medicare Part A and Part B eligible, and Medicare Part B only eligible Plan participants to the new fully insured Medicare Advantage plan offered by Anthem, effective January 1, 2020.

In 2017, the Plan changes included in Ordinance 336-2016 were adopted by the City Council on October 26, 2016. In addition to incorporating many of the changes mandated by the CSA, the Ordinance also:

- Excluded members hired after December 31, 2015 from eligibility to receive retiree health benefits;
- Established benefit and eligibility provisions for Group E and F members, not covered under the CSA, similar to employees who are covered under the CSA.
- Specified eligibility and postemployment contribution requirements for the retiree health benefits payable to members and beneficiaries entitled to deferred benefits.
- Modified eligibility and postemployment contribution requirements to retiree health benefits paid as the result of an in-service death.

In 2016, there were several changes in benefit provisions as a result of the Collaborative Settlement Agreement (CSA) between the City and various plaintiff groups representing certain active and retired members of CRS as approved by the Court on October 5, 2015 and generally effective January 1, 2016.

Metropolitan Sewer District (MSD), Hamilton County, Ohio
Required Supplementary Information
Notes to the Required OPEB Information
Cincinnati Retirement System
Table 10 (continued)

Changes in Actuarial Assumptions and Methods:

In 2020, the expected long-term rate of return of 7.50% was used for the discount rate with the projected future net position not being depleted. The claims assumptions and retiree contributions were updated to reflect actual 2020 premiums.

The medical trend assumptions were updated to include several factors. First, the initial trends for the Medicare Advantage plans were set at 0% for medical and 7% for drug, while the trends for the contribution rates for the plans were set at a -5.7% to account for the health insurance tax reduction. The ultimate health care trend was set at 4%, with each trend period set at 15 years.

The claim cost curves were updated based on the experience of the retirees in the Secure, Select and Model plans. The data provided claim experience for all covered members (retirees, covered spouses, and covered children) by age. Additional information was provided for the new Medicare Advantage Plans, which were applied to the 2020 claim curves above.

The percentage of members to not qualify for premium-free Medicare Part A coverage was lowered from 15% to 10%.

In 2019, the December 31, 2018 valuation included a change in the Municipal Bond Index Rate from 3.89% to 3.50%; a decrease in the discount rate (SEIR) from 6.13% to 5.07%, part-time employees were included in the Plan's population, and the health care cost trend rates were updated to reflect the current market place.

In 2018, actuarial assumptions and methods were changed based on recent plan experience done concurrently with the December 31, 2017 valuation, including a change in the Municipal Bond Index Rate from 3.65% to 3.89%; a decrease in the discount rate (SEIR) from 6.31% to 6.13%, a decrease in the price inflation assumption from 3.00% to 2.75%, an update of the retirement, withdrawal, and disability rates; an update of the mortality rates for all members to a generational approach using the RP-2014 mortality tables; an update of the merit salary scales; and updates to the following to better reflect the anticipated experience of the plan: assumed rates of health care inflation, assumed rats of health benefit plan participation, contribution rates for the Select Plan and the Model Plan, and DROP participation rates.

In 2017, future contribution rates for retiree health benefit recipients are now based upon the projected retiree health care costs associated with each projection year's closed group of participants.

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1605 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Metropolitan Sewer of Greater Cincinnati, Hamilton County, (the District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 19, 2022. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio
May 19, 2022

OHIO AUDITOR OF STATE
KEITH FABER

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 6/7/2022

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