



OHIO AUDITOR OF STATE
KEITH FABER



**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY
DECEMBER 31, 2025**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statements of Net Position.....	13
Statements of Revenue, Expenses and Changes in Net Position	15
Statements of Cash Flows	16
Notes to the Financial Statements.....	18
Required Supplementary Information:	
Schedule of the MSD's Proportionate Share of the Net Pension Liability (Ohio Public Employees Retirement System) – Traditional Pension Plan	67
Schedule of the MSD's Proportionate Share of the Net OPEB Liability/(Asset) (Ohio Public Employees Retirement System).....	68
Schedule of MSD's Changes in Net Pension Liability and Related Ratios (Cincinnati Retirement System)	69
Schedule of MSD's Pension Contributions (Cincinnati Retirement System)	71
Schedule of MSD's Changes in Net OPEB Liability/(Asset) and Related Ratios (Cincinnati Retirement System)	72
Schedule of MSD's OPEB Contributions (Cincinnati Retirement System)	74
Notes to Required Supplementary Information (Ohio Public Employees Retirement System) (OPERS).....	75
Notes to Required Supplementary Information (Cincinnati Retirement System)	77
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	81
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	83

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

Metropolitan Sewer District of Greater Cincinnati
Hamilton County
1600 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

Report on the Audit of the Financial Statements

Opinion

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, 2025 and 2024, 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, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 opinion. 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 8, 2026, 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
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 8, 2026

This page intentionally left blank.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)

This section of the Metropolitan Sewer District’s (the District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal years ended December 31, 2025 and December 31, 2024. Please read it in conjunction with the District’s basic financial statements and footnotes, beginning on page 13.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Assets and deferred outflows exceeded liabilities and deferred inflows by \$1,675,294 at the close of the 2025 fiscal year.
- The District’s net position increased by \$161,315 in 2025, or 10.7%.
- During fiscal year 2025, the District’s total assets increased \$96,808 to \$2,677,057, a 3.8% increase.
- Total liabilities decreased \$21,636 to \$995,842 in fiscal year 2025.
- The District’s debt service coverage ratio remains strong at 209% for fiscal year 2025.

FINANCIAL STATEMENTS OVERVIEW

Financial Reporting Entity— The District 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 Annual Comprehensive 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 the current year’s results compared with prior years, this discussion also addresses certain long-term issues, which may, in the management’s opinion, impact the District’s financial performance.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)

- Basic Financial Statements, which depict the District's financial position as of December 31, 2025 and 2024, 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 are 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)**

FINANCIAL ANALYSIS

Table A below shows that in fiscal year 2025, 80% 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 \$36,972 in 2025, or -4.0%, and decreased by \$83,145 in 2024, or -8.3%.
- Net position increased \$161,315 in 2025 and increased \$192,414 in 2024. Percentage increases over the two-year period were 10.7%, and 14.6%, respectively. Total expenses in both years were due to fluctuations attributable to accounting for pensions and inflation increases.

Table A

	2025	2024	2023	Percentage Increase (Decrease) Over 2024	Percentage Increase (Decrease) Over 2023
Current and other assets	\$ 113,732	\$ 98,936	\$ 95,798	15.0%	3.3%
Noncurrent (restricted assets)	406,211	416,136	361,768	-2.4%	15.0%
Capital assets, net	<u>2,157,114</u>	<u>2,065,177</u>	<u>1,957,085</u>	<u>4.5%</u>	<u>5.5%</u>
Total assets	<u>2,677,057</u>	<u>2,580,249</u>	<u>2,414,651</u>	<u>3.8%</u>	<u>6.9%</u>
Deferred outflows	<u>9,367</u>	<u>12,163</u>	<u>18,492</u>	<u>-23.0%</u>	<u>-34.2%</u>
Current liabilities	108,832	93,496	94,811	16.4%	-1.4%
Noncurrent liabilities	<u>887,010</u>	<u>923,982</u>	<u>1,007,127</u>	<u>-4.0%</u>	<u>-8.3%</u>
Total liabilities	<u>995,842</u>	<u>1,017,478</u>	<u>1,101,938</u>	<u>-2.1%</u>	<u>-7.7%</u>
Deferred inflows	<u>15,288</u>	<u>60,955</u>	<u>9,640</u>	<u>-74.9%</u>	<u>532.3%</u>
Net investment in capital assets	1,333,761	1,232,265	1,234,780	8.2%	-0.2%
Restricted	44,442	10,891	5,124	308.1%	112.5%
Unrestricted	<u>297,091</u>	<u>270,823</u>	<u>81,661</u>	<u>9.7%</u>	<u>231.6%</u>
Total net position	<u>\$ 1,675,294</u>	<u>\$ 1,513,979</u>	<u>\$ 1,321,565</u>	<u>10.7%</u>	<u>14.6%</u>

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)

Table B below shows total operating revenues for fiscal year 2025 of \$304,495, an increase of \$10,769, or 3.7%. Operating revenues were \$293,276, an increase of \$9,264, or 3.3% in 2024. Meanwhile, total expenses increased \$8,563, or 5.2%, in 2025 and decreased \$110,314, or -40.2%, in 2024. The increase in total expenses for 2025 was due to higher depreciation expense, with more sewer laterals brought online, and a decrease in negative pension expense, due to fluctuations attributable to accounting for pensions. The decrease in total expenses for 2024 was due to the negative pension expense calculation of -\$74,327.

Table B

	<u>2025</u>	<u>2024</u>	<u>2023</u>	Percentage Increase (Decrease) Over 2024	Percentage Increase (Decrease) Over 2023
Operating revenues	\$ 304,495	\$ 293,726	\$ 284,462	3.7%	3.3%
Nonoperating revenues	24,972	36,439	14,187	-31.5%	156.8%
Total revenues	<u>329,467</u>	<u>330,165</u>	<u>298,649</u>	<u>-0.2%</u>	<u>10.6%</u>
Depreciation expense	72,937	65,969	64,943	10.6%	1.6%
Other operating expenses	143,855	143,426	133,299	0.3%	7.6%
Pension expense	(66,255)	(74,327)	55,127	-10.9%	-234.8%
Nonoperating expenses	22,187	29,093	21,106	-23.7%	37.8%
Total expenses	<u>172,724</u>	<u>164,161</u>	<u>274,475</u>	<u>5.2%</u>	<u>-40.2%</u>
Income from operations	156,743	166,004	24,174	-5.6%	586.7%
Capital contributions	4,572	26,410	9,073	-82.7%	191.1%
Change in net position	<u>161,315</u>	<u>192,414</u>	<u>33,247</u>	<u>-16.2%</u>	<u>478.7%</u>
Beginning net position	<u>1,513,979</u>	<u>1,321,565</u>	<u>1,288,318</u>	<u>14.6%</u>	<u>2.6%</u>
Ending net position	<u>\$ 1,675,294</u>	<u>\$ 1,513,979</u>	<u>\$ 1,321,565</u>	<u>10.7%</u>	<u>14.6%</u>

- In 2025, operating expenses, excluding depreciation and net pension expense, increased \$429 to \$143,855 from \$143,426 in 2024. The increase was due to utilities, fuel and supplies and other operating expenses.
- Depreciation expense increased \$6,968, or 10.6%, in 2025, due to bring more sewer lateral mains in service during the year.
- The decrease in negative pension and OPEB expenses was due to an increase in the net OPEB assets and a decrease in the net pension liabilities. The change in assets and liabilities was due to favorable investment returns in the investment portfolios.

Certain 2024 amounts have been reclassified to conform to the current-year presentation. The reclassification had no effect on total net position, fund balance, change in net position, or change in fund balance as previously reported.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)

CAPITAL ASSETS AND DEBT

Table C reflects year-end capital balances. As of December 31, the District’s investment in capital assets (net of accumulated depreciation) amounted to \$2,157,114 in 2025 and \$2,065,177 in 2024. Net capital assets increased \$91,937 in 2025, or 4.5%, and \$108,092, 5.5% in 2024. Capital contributions were \$4,572 and \$26,410 in 2025 and 2024, respectively.

Additional information on the District’s capital assets can be found in Note 5 of the financial statements.

Table C

	2025	2024	2023	Percentage Increase (Decrease) Over 2024	Percentage Increase (Decrease) Over 2023
Land	\$ 12,313	\$ 12,313	\$ 12,313	0.0%	0.0%
Buildings	432,509	432,336	390,603	0.0%	10.7%
Leased asset building	15,000	15,000	15,000	0.0%	0.0%
Equipment	853,932	817,774	796,415	4.4%	2.7%
Sewer laterals	1,852,659	1,626,657	1,577,569	13.9%	3.1%
Construction in progress	417,219	514,678	453,673	-18.9%	13.4%
Subtotal	<u>3,583,632</u>	<u>3,418,758</u>	<u>3,245,573</u>	4.8%	5.3%
Less accumulated depreciation	<u>(1,426,518)</u>	<u>(1,353,581)</u>	<u>(1,288,488)</u>	5.4%	5.1%
Net capital assets	<u>\$ 2,157,114</u>	<u>\$ 2,065,177</u>	<u>\$ 1,957,085</u>	4.5%	5.5%

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 bond ratings are:

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

The District issued two bonds in 2024, a \$100,000 Series A Revenue Bond and a \$66,440 Series B Refunding Bond. See the Notes to the Financial Statements – Long-Term Debt for further information. Revenue bond Debt Service Coverage (DSC) remains high. In 2025, DSC was 330% and 316% in 2024, compared to an Agency policy of 150% (25% higher than indenture requirements). Total debt service coverage for 2025 was 209% and 200% in 2024. Hamilton County Commissioners approved a 3.75% sewer rate increase for the District effective January 1, 2025.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)**

Table D reflects year-end long-term debt balances.

Table D

	<u>2025</u>	<u>2024</u>	<u>2023</u>	Percentage Increase (Decrease) Over 2024	Percentage Increase (Decrease) Over 2023
Revenue bonds	\$ 381,690	\$ 417,299	\$ 379,875	-8.5%	9.9%
OPWC loans	172	182	203	-5.5%	-10.3%
Ohio Water & Sewer Rotary	50	50	50	0.0%	0.0%
WPCLF	364,703	343,919	328,160	6.0%	4.8%
Lease liability	4,045	4,940	5,800	-18.1%	-14.8%
Bond premiums	47,378	50,846	57,243	-6.8%	-11.2%
Long-term debt	<u>798,038</u>	<u>817,236</u>	<u>771,331</u>	<u>-2.3%</u>	<u>6.0%</u>

Additional information on the District's long-term obligations can be found in Note 6 of the financial statements.

PENSION AND NET OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The net pension liability is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and the net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, and the net pension and OPEB liabilities to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
(all amounts in thousands)

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB asset and liability to equal the District’s proportionate share of each plan’s collective:

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

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

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

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 and net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. If contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension and net OPEB assets and liabilities, respectively, not accounted for as deferred inflows/outflows.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(UNAUDITED)
*(all amounts in thousands)***

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

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

Metropolitan Sewer District of Greater Cincinnati
Statements of Net Position
At December 31, 2025 and 2024
(All amounts expressed in thousands)

	2025	2024
ASSETS		
Current assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati (Note 2)	\$ 21,537	\$ 23,944
Accounts receivable (Note 3)	52,969	45,321
Prepaid items and other	294	282
Total current assets	74,800	69,547
Noncurrent assets:		
Restricted assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati:		
Construction account (Note 2)	23,902	10,035
Amount to be transferred to surplus account (Note 2)	88,800	70,422
Held by trustee (Note 4):		
Cash and cash equivalents (Note 2)	5,163	53,320
Investments - held to maturity (Note 2)	287,564	282,359
Held in escrow	782	-
Total restricted assets	406,211	416,136
Net OPEB asset (Note 8)	38,932	29,389
Capital assets (Note 5):		
Land	12,313	12,313
Buildings	447,509	447,336
Sewer laterals	1,852,659	1,626,657
Equipment	853,932	817,774
Construction in progress	417,219	514,678
Less: accumulated depreciation	(1,426,518)	(1,353,581)
Net capital assets	2,157,114	2,065,177
Total noncurrent assets	2,602,257	2,510,702
TOTAL ASSETS	2,677,057	2,580,249
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related (Note 7)	6,418	7,151
OPEB-related (Note 8)	2,949	5,012
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,367	12,163
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,686,424	\$ 2,592,412

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

Metropolitan Sewer District of Greater Cincinnati
Statements of Net Position
At December 31, 2025 and 2024
(All amounts expressed in thousands)
(continued)

	2025	2024
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Current portion of long-term debt (Note 6)	\$ 64,260	\$ 60,162
Current portion of compensated absences (Note 6)	6,493	6,312
Accounts payable	8,478	6,910
Accrued payroll and benefits	2,121	2,926
Total payable from current assets	81,352	76,310
Payable from restricted assets:		
Construction accounts payable	25,315	15,676
Retainage payable	782	-
Accrued interest payable	1,383	1,510
Total payable from restricted assets	27,480	17,186
 Total current liabilities	 108,832	 93,496
 Noncurrent liabilities:		
Noncurrent portion of long-term debt (Note 6)	733,778	757,074
Noncurrent portion of compensated absences (Note 6)	4,328	4,163
Net pension liability (Note 7)	148,904	162,745
Total noncurrent liabilities	887,010	923,982
 TOTAL LIABILITIES	 995,842	 1,017,478
 DEFERRED INFLOWS OF RESOURCES		
Pension-related (Note 7)	8,933	56,242
OPEB-related (Note 8)	6,355	4,713
TOTAL DEFERRED INFLOWS OF RESOURCES	15,288	60,955
 NET POSITION		
Net investment in capital assets	1,333,761	1,232,265
Restricted	44,442	10,891
Unrestricted	297,091	270,823
TOTAL NET POSITION	1,675,294	1,513,979
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 \$ 2,686,424	 \$ 2,592,412

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

Metropolitan Sewer District of Greater Cincinnati
Statements of Revenue, Expenses and Changes in Net Position
For The Periods Ended December 31, 2025 and 2024
(All amounts expressed in thousands)

	2025	2024
OPERATING REVENUES		
Sewerage service charges	\$ 276,805	\$ 267,299
Sewer surcharge	20,845	20,680
All other revenues	6,845	5,747
TOTAL OPERATING REVENUES	304,495	293,726
OPERATING EXPENSES		
Personnel services:		
Salaries and benefits	64,767	65,591
Pension and OPEB expenses	(66,255)	(74,327)
Purchased services	37,402	38,429
Utilities, fuel and supplies	28,566	26,879
Depreciation	72,937	65,969
Other expenses	13,120	12,527
TOTAL OPERATING EXPENSES	150,537	135,068
Operating income	153,958	158,658
NONOPERATING REVENUES (EXPENSES)		
Interest income	17,142	13,932
Change in fair value of investments	7,830	22,507
Interest expense	(22,187)	(29,093)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,785	7,346
Income (loss) before capital contributions	156,743	166,004
Capital contributions	4,572	26,410
Change in net position	161,315	192,414
Net position-beginning	1,513,979	1,321,565
Net position-ending	\$ 1,675,294	\$ 1,513,979

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

Metropolitan Sewer District of Greater Cincinnati
Statements of Cash Flows
For The Periods Ended December 31, 2025 and 2024
(All amounts expressed in thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 290,002	\$ 282,054
Cash payments for goods and services	(77,532)	(77,861)
Cash payments for personnel costs	(65,226)	(65,507)
Cash received from other operating revenues	6,845	5,747
NET CASH FLOWS FROM OPERATING ACTIVITIES	154,089	144,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap-in fees and assessments	3,083	4,660
Proceeds from sale of capital assets	-	38
Acquisition and construction of capital assets	(153,746)	(130,009)
Proceeds from issuance of capital debt	44,658	185,112
Bond premiums	-	15,861
Payments to escrow agent	-	(32,337)
Principal and interest paid on capital debt	(86,170)	(81,700)
Bond refunding and new issuance costs	-	(1,678)
Transfer into construction account from trustee investment account	120,400	100,357
Transfer from operating cash account to trustee investment account	(69,000)	(126,757)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(140,775)	(66,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of government securities	(56,605)	(70,282)
Net increase (decrease) in fair value of cash and investments	7,830	22,507
Interest earned on investments	17,142	3,384
NET CASH FLOWS FROM INVESTING ACTIVITIES	(31,633)	(44,391)
Net increase (decrease) in cash and cash equivalents	(18,319)	33,589
Cash and cash equivalents-beginning	157,721	124,132
Cash and cash equivalents-ending	\$ 139,402	\$ 157,721
Reconciliation of cash and cash equivalents per the Statement of Net Position:		
Current assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati	\$ 21,537	\$ 23,944
Non-current assets:		
Cash, cash equivalents and pooled investments held by the City of Cincinnati:		
Construction account	23,902	10,035
Amount to be transferred to surplus account	88,800	70,422
Held by trustee:		
Cash and cash equivalents	5,163	53,320
	\$ 139,402	\$ 157,721

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

Metropolitan Sewer District of Greater Cincinnati
Statements of Cash Flows
For The Periods Ended December 31, 2025 and 2024
(All amounts expressed in thousands)
(continued)

	2025	2024
Reconciliation of operating income (loss) to net cash flow from operating activities:		
Operating income	\$ 153,958	158,658
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	72,937	65,969
Capital expenses moved to operating	-	62
(Increase) decrease in accounts receivable	(7,648)	(3,770)
(Increase) decrease in prepaid items	(12)	(1,343)
(Increase) decrease in net OPEB asset	(9,543)	(1,017)
(Increase) decrease in deferred outflows-pension	733	4,978
(Increase) decrease in deferred outflows-OPEB	2,063	(2,357)
Increase (decrease) in accounts payable	1,568	(1,416)
Increase (decrease) in accrued payroll	(805)	(162)
Increase (decrease) in compensated absences	346	540
Increase (decrease) in net pension liability	(13,841)	(129,051)
Increase (decrease) in net OPEB liability	-	(73)
Increase (decrease) in deferred inflows-pension	(47,309)	51,894
Increase (decrease) in deferred inflows-OPEB	1,642	(579)
Other net changes	-	2,100
Total adjustments	131	(14,225)
Net cash from operating activities	\$ 154,089	\$ 144,433
 Schedule of non-cash capital and related financing activities:		
Contribution of capital assets	\$ 1,442	\$ 2,674
Purchase of capital assets on account	\$ 24,122	\$ 13,847

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

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

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 (the 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. The 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 the 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 Annual Comprehensive Financial Report which includes the 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 1 - ACCOUNTING POLICIES (continued)

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 the District.

Investments

The 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 the 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.

Prepays

Payments made for services that will benefit periods beyond fiscal year-end December 31, 2025, 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 the 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 the 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.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 1 - ACCOUNTING POLICIES (continued)

Land acquired for the 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 the 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 assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, deferred outflows of resources are reported on the 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 7 and 8.

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 assets that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources have been recorded in the statement of net position for pension and OPEB, as explained in Notes 7 and 8.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 1 - ACCOUNTING POLICIES (continued)

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

District employees are awarded sick, vacation and compensatory time as determined by union contractual agreements and personnel policies. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment.

A liability for compensated absences is recorded as incurred in the financial statements, using a first-in, first-out flow assumption, where the oldest accumulated leave is the leave first used. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Net Position

Net position is 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.

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

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**
(all amounts in thousands)

NOTE 1 - ACCOUNTING POLICIES (continued)

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.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. The reclassification had no effect on total net position, fund balance, change in net position, or change in fund balance as previously reported.

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.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 institutions as security for repayment, by surety company bonds deposited with the finance director by the financial institutions 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 requires collateral 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 \$134,239 and \$104,401 at December 31, 2025 and 2024, respectively.

Amounts held by the City of Cincinnati are invested on the 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, 2025, for the City of Cincinnati.

Amounts held in escrow represent retainage owed on current projects. These amounts are offset by a retainage payable liability.

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.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 the District.

Investments made by the 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 the 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 the 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 overconcentration of assets in a specific issue or class of security. The following table includes the percentage of each investment type held by the District at December 31, 2025:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>
			<u>Measurements</u>
			<u>Level</u>
Investments Held by the City of Cincinnati	\$ 134,239	31.44	n/a
U.S. Agency Securities	32,571	7.63	Level 2
U.S. Treasury Securities	254,017	59.49	Level 1
Money Market Funds	6,139	1.44	n/a
	<u>\$ 426,966</u>	<u>100.00</u>	

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:

<u>December 31, 2025</u>	<u>Cash and Cash</u>	
	<u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 140,378	\$ 286,588
Money Market Funds	(6,139)	6,139
Total	<u>\$ 134,239</u>	<u>\$ 292,727</u>

<u>December 31, 2024</u>	<u>Cash and Cash</u>	
	<u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 157,721	\$ 282,359
Money Market Funds	(53,320)	53,320
Total	<u>\$ 104,401</u>	<u>\$ 335,679</u>

Fair Value Measurements: The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2025	2024
Sewer charges and surcharges:		
Unbilled amounts	\$ 26,152	\$ 24,201
Billed amounts	29,106	30,714
Less: Allowance for doubtful accounts	(9,111)	(11,775)
Accounts and interest	6,822	2,181
Total	<u>\$ 52,969</u>	<u>\$ 45,321</u>

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, 2025 and 2024 the following balances (at fair value) were maintained in the trust accounts:

	2025	2024
Held by Trustee:		
Reserve	\$ 25,918	\$ 24,725
Bond Retirement	5,510	10,890
Surplus	261,299	300,064
Total	<u>\$ 292,727</u>	<u>\$ 335,679</u>

This space intentionally left blank

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 5 - CAPITAL ASSETS

December 31, 2025	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 12,313	\$ -	\$ -	\$ 12,313
Construction in progress	514,678	174,121	(271,580)	417,219
Total capital assets, not being depreciated	<u>526,991</u>	<u>174,121</u>	<u>(271,580)</u>	<u>429,532</u>
Capital assets, being depreciated:				
Buildings	432,336	173	-	432,509
Leased buildings	15,000	-	-	15,000
Equipment	817,774	36,158	-	853,932
Sewer laterals	1,626,657	226,002	-	1,852,659
Total capital assets, being depreciated	<u>2,891,767</u>	<u>262,333</u>	<u>-</u>	<u>3,154,100</u>
Less accumulated depreciation for:				
Buildings	(195,872)	(9,579)	-	(205,451)
Leased buildings	(5,437)	(376)	-	(5,813)
Equipment	(442,281)	(19,764)	-	(462,045)
Sewer laterals	(709,991)	(43,218)	-	(753,209)
Total accumulated depreciation	<u>(1,353,581)</u>	<u>(72,937)</u>	<u>-</u>	<u>(1,426,518)</u>
Net capital assets, being depreciated	<u>1,538,186</u>	<u>189,396</u>	<u>-</u>	<u>1,727,582</u>
Total capital assets	<u>\$ 2,065,177</u>	<u>\$ 363,517</u>	<u>\$ (271,580)</u>	<u>\$ 2,157,114</u>

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

In 2025, Capital Assets depreciation expense was \$72,937.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 5 - CAPITAL ASSETS (continued)

December 31, 2024	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 12,313	\$ -	\$ -	\$ 12,313
Construction in progress	453,673	168,144	(107,139)	514,678
Total capital assets, not being depreciated	<u>465,986</u>	<u>168,144</u>	<u>(107,139)</u>	<u>526,991</u>
Capital assets, being depreciated:				
Buildings	390,603	41,733	-	432,336
Leased buildings	15,000	-	-	15,000
Equipment	796,415	22,235	(876)	817,774
Sewer laterals	1,577,569	49,088	-	1,626,657
Total capital assets, being depreciated	<u>2,779,587</u>	<u>113,056</u>	<u>(876)</u>	<u>2,891,767</u>
Less accumulated depreciation for:				
Buildings	(187,857)	(8,015)	-	(195,872)
Leased buildings	(5,062)	(375)	-	(5,437)
Equipment	(424,035)	(19,122)	876	(442,281)
Sewer laterals	(671,534)	(38,457)	-	(709,991)
Total accumulated depreciation	<u>(1,288,488)</u>	<u>(65,969)</u>	<u>876</u>	<u>(1,353,581)</u>
Net capital assets, being depreciated	<u>1,491,099</u>	<u>47,087</u>	<u>-</u>	<u>1,538,186</u>
Total capital assets	<u>\$ 1,957,085</u>	<u>\$ 215,231</u>	<u>\$ (107,139)</u>	<u>\$ 2,065,177</u>

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

In 2024, Capital Assets depreciation expense was \$65,969.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following:

Issuance	Principal Issued	Interest Rate (%)	Year of Maturity	2025	2024
Revenue Bonds					
2024 Series A	\$ 100,000	5.00	2053	\$ 98,395	\$ 99,866
2024 Series B	66,440	5.00	2032	52,320	61,083
2022	134,605	5.00	2038	109,480	120,731
2020	74,525	5.00	2035	44,400	51,574
2019 - Direct Placement	107,970	4.00-5.00	2034	<u>77,095</u>	<u>84,045</u>
Total Revenue Bonds				<u>381,690</u>	<u>417,299</u>
Ohio Water and Sewer					
Rotary Commission	50	-	-	50	50
Direct Borrowing:					
Ohio Public Works Commission	312	0.00	2041	172	182
Water Pollution Control Loan Fund	1,160,298	0.00-3.73	varies	364,703	343,919
Lease Liability	15,000	2.00-5.00	2029	<u>4,045</u>	<u>4,940</u>
Total Issuances				<u>750,660</u>	<u>766,390</u>
Bond Premiums				47,378	50,846
Current Maturity				<u>(64,260)</u>	<u>(60,162)</u>
Long-Term Portion				<u>\$ 733,778</u>	<u>\$ 757,074</u>

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

Year	Revenue Bonds		Direct Placement Revenue Bonds		WPCLF*		OPWC		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 31,155	\$ 12,745	\$ 7,090	\$ 3,855	\$ 25,075	\$ 5,464	\$ 10	\$ -	\$ 930	\$ 137
2027	28,695	11,504	7,380	3,500	23,567	4,897	10	-	965	100
2028	29,790	10,410	7,695	3,131	22,618	4,327	10	-	990	71
2029	20,650	9,270	8,075	2,747	23,050	3,779	10	-	1,160	41
2030	21,535	8,368	8,480	2,343	23,201	3,222	10	-	-	-
2031-2035	74,170	30,695	38,375	4,914	78,999	9,378	52	-	-	-
2036-2040	36,565	19,036	-	-	32,164	4,561	52	-	-	-
2041-2045	19,345	13,669	-	-	23,003	2,780	18	-	-	-
2046-2050	24,705	8,323	-	-	24,652	1,130	-	-	-	-
2051-2053	17,985	1,828	-	-	2,558	18	-	-	-	-
	<u>\$ 304,595</u>	<u>\$ 125,848</u>	<u>\$ 77,095</u>	<u>\$ 20,490</u>	<u>\$ 278,887</u>	<u>\$ 39,556</u>	<u>\$ 172</u>	<u>\$ -</u>	<u>\$ 4,045</u>	<u>\$ 349</u>

* - only includes finalized loan amortizations.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 6 - LONG-TERM DEBT (continued)

Long-term debt activity for 2025 and 2024

December 31, 2025	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt:					
Revenue Bonds	\$ 333,254	\$ -	\$ (28,659)	\$ 304,595	\$ 31,155
Direct Placement Revenue Bonds	84,045	-	(6,950)	77,095	7,090
Bond Premiums	50,846	-	(3,468)	47,378	-
Direct Borrowing:					
Ohio Water and Sewer Rotary Commission	50	-	-	50	-
Ohio Public Works Commission	182	-	(10)	172	10
Water Pollution Control Loan Fund	343,919	44,658	(23,874)	364,703	25,075
Lease Liability	4,940	-	(895)	4,045	930
Long-Term Debt Subtotal	<u>817,236</u>	<u>44,658</u>	<u>(63,856)</u>	<u>798,038</u>	<u>64,260</u>
Other Long-Term Liabilities:					
Compensated Absences*	10,475	346	-	10,821	6,493
Net Pension Liabilities:					
OPERS	2,448	-	(2,448)	-	-
CRS	160,297	-	(160,297)	-	-
Total Long-Term Liabilities	<u>\$ 990,456</u>	<u>\$ 45,004</u>	<u>\$ (226,601)</u>	<u>\$ 808,859</u>	<u>\$ 70,753</u>
December 31, 2024	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt:					
Revenue Bonds	\$ 289,570	\$ 166,440	\$ (122,756)	\$ 333,254	\$ 28,544
Direct Placement Revenue Bonds	90,305	-	(6,260)	84,045	6,760
Bond Premiums	57,243	15,861	(22,258)	50,846	-
Direct Borrowing:					
Ohio Water and Sewer Rotary Commission	50	-	-	50	-
Ohio Public Works Commission	203	-	(21)	182	10
Water Pollution Control Loan Fund	328,160	39,059	(23,300)	343,919	23,953
Lease Liability	5,800	-	(860)	4,940	895
Long-Term Debt Subtotal	<u>771,331</u>	<u>221,360</u>	<u>(175,455)</u>	<u>817,236</u>	<u>60,162</u>
Other Long-Term Liabilities:					
Compensated Absences*	9,935	540	-	10,475	6,312
Net Pension Liabilities:					
OPERS	3,502	-	(1,054)	2,448	-
CRS	288,294	-	(127,997)	160,297	-
Net OPEB Liabilities:					
CRS	73	-	(73)	-	-
Total Long-Term Liabilities	<u>\$ 1,073,135</u>	<u>\$ 221,900</u>	<u>\$ (304,579)</u>	<u>\$ 990,456</u>	<u>\$ 66,474</u>

* Change in compensated absences is a net change.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 6 - LONG-TERM DEBT (continued)

Revenue Bonds

The District issued two bond issues during 2024, a 2024 Series A Revenue Bond and a 2024 Series B Refunding Bond.

- a) In June of 2024, the District issued a \$100,000 Series A Revenue Bond. The Bonds were sold at a premium of \$11,134, which will be recognized over the life of the Bond maturing in 2053. Proceeds from the 2024 Series A Bond issue shall be used for 2024 Project capital project funding to include surplus debt coverage.
- b) In December of 2024, the District issued a \$66,440 Series B Refunding Bond. The Bonds were sold at a premium of \$4,727, to be recognized over the life of the issue maturing in 2049. Proceeds from the 2024 Series B Bond issue refunded both the 2015A Series Bond and 2014A Series Bond, as described below in Revenue Bonds (Refunded).
- c) Effective April 20, 2022, the District issued \$134,605 Series A, Sewer Refunding Revenue Bonds. The proceeds from the 2022A Series Bonds were used to defease portions of the 2013A revenue bonds and pay for the cost of issuance. The 2022A Bonds are special obligations of the District, payable solely from the net revenues of the District and were issued on parity with the 2013, 2014, 2015, 2019, 2020 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 \$125,985 of outstanding 2013A Bonds. As a result, these bonds are considered defeased and the liability of those bonds was removed from the Balance Sheet.

The 2022A Bonds were sold at par and the District reduced its aggregate debt service payments by \$18,109 and obtained a net present value savings of \$14,523.

- d) Effective November 17, 2020, the District issued \$74,525 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 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 \$101,000 of outstanding 2010A and 2010B Bonds. As a result, these bonds are considered defeased and the liability of those bonds was removed from the balance sheet.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 6 - LONG-TERM DEBT (continued)

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

Revenue Bond – Direct Placement

Effective November 26, 2019, the District issued \$107,970 Series A, the Direct Placement Bond dated November 26, 2019. The proceeds from the 2019 Series A Bonds were used to defease the 2009B Revenue Bonds, in the amount of \$130,300, and pay for the cost of issuance. The 2019 Series A Bonds were issued at a premium of \$23,045. 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.

The 2019 Direct Placement Bonds premium has a current net present value of \$16,452.

Revenue Bonds (Refunded)

- a) Effective March 3, 2015, the District issued \$52,520 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 of outstanding 2005A Bonds. As a result, these bonds are considered defeased and the liability for those bonds was removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of \$1,464 in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the 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.

The 2024 Series B Bonds refunded the 2015 Series A Bonds. See Revenue Bonds – b) above.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 6 - LONG-TERM DEBT (continued)

- b) Effective November 19, 2014, the District issued \$162,650 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 of outstanding 2003 Series A Bonds, \$61,190, of outstanding 2005 Series B Bonds, \$60,620 of outstanding 2006 Series A Bonds, \$52,505 of outstanding 2007 Series A Bonds, and \$6,790 of outstanding 2009 Series A Bonds. As a result, these bonds are considered defeased and the liability for those bonds was removed from the balance sheet.

Although the refunding resulted in the recognition of an accounting loss of \$14,949 in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the District has, in effect, reduced its aggregate debt service payments by \$70,966, and obtained a present value of savings of \$24,543.

The 2024 Series B Bonds refunded the 2015 Series A Bonds. See Revenue Bonds – b) above.

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

<u>Year</u>	<u>2024 Series A</u>	<u>2024 Series B</u>	<u>2022 Bonds</u>	<u>2020 Bonds</u>	<u>2019 Bonds</u>	<u>Total</u>
2026	\$ 1,685	\$ 8,150	\$ 13,985	\$ 7,335	\$ 7,090	\$ 38,245
2027	1,770	8,540	14,985	3,400	7,380	36,075
2028	1,860	8,960	15,410	3,560	7,695	37,485
2029	1,950	9,220	5,750	3,730	8,075	28,725
2030	2,050	9,680	5,910	3,895	8,480	30,015
2031-2035	11,885	7,770	32,035	22,480	38,375	112,545
2036-2040	15,160	-	21,405	-	-	36,565
2041-2045	19,345	-	-	-	-	19,345
2046-2050	24,705	-	-	-	-	24,705
2051-2053	17,985	-	-	-	-	17,985
	<u>\$ 98,395</u>	<u>\$ 52,320</u>	<u>\$ 109,480</u>	<u>\$ 44,400</u>	<u>\$ 77,095</u>	<u>\$ 381,690</u>

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**
(all amounts in thousands)

NOTE 6 - LONG-TERM DEBT (continued)

Under the terms of the amended revenue bond trust indenture, the 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 the District to maintain a level of debt service coverage. The following calculation reflects the District's debt service coverage.

	<u>2025</u>	<u>2024</u>
Revenues:		
Total operating revenues	\$ 304,495	\$ 293,726
Interest income	17,142	13,932
Tap-in/connection fees	<u>3,083</u>	<u>4,802</u>
Total pledged revenue	324,720	312,460
Total operating and maintenance expenses, less depreciation and pension expense	<u>143,855</u>	<u>143,426</u>
Net income available for debt service (a)	<u>\$ 180,865</u>	<u>\$ 169,034</u>
Income coverage on revenue bonds (b)	<u>\$ 54,845</u>	<u>\$ 53,547</u>
Income coverage on all obligations (c)	<u>\$ 86,461</u>	<u>\$ 84,644</u>
Debt service coverage - actual		
Revenue bonds - (a) divided by (b)	<u>330%</u>	<u>316%</u>
All obligations - (a) divided by (c)	<u>209%</u>	<u>200%</u>
Debt service coverage requirement	<u>125%</u>	<u>125%</u>

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**
(all amounts in thousands)

NOTE 6 - LONG-TERM DEBT (continued)

Ohio Water Development Authority Contracts

All contracts between the Ohio Water Development Authority (OWDA) and the Metropolitan Sewer District require the District to prescribe and charge such rates for sewer usage that are sufficient (after expenses of operation and maintenance) to pay principal and interest on OWDA contracts. The principal is repayable in equal semiannual 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 semiannual installments to the date of maturity for each project. Note, future maturities schedule only includes loans with OWDA-finalized amortization schedules. There are an additional 14 active loans with a total outstanding balance at December 31, 2025 of \$87,890, with an estimate of \$2,075 due within one year) that are still being drawn down and do not have a final amortization available.

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.

Lease Liability

The District entered into a lease liability for a new engineering building in 2010. The leased asset was capitalized at the amount of the present value of the minimum lease payments at inception of the lease of \$15,000.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 7 – DEFINED BENEFIT PENSION PLANS

The 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, the 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. The 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 two separate pension plans. The traditional pension plan is a cost-share, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan. The traditional pension plan also includes members of the legacy combined plan, a hybrid defined benefit/defined contribution plan referred to as the combined plan division of the traditional pension plan throughout this disclosure. Prior to January 1, 2024, the combined plan was a separate pension plan. Effective January 1, 2022, the combined plan is no longer available for member selection. In October 2023, the legislature approved House Bill 33 which allowed for the consolidation of the combined plan into the traditional pension plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024 and is tracked as a separate division within the traditional pension plan. No changes were made to the benefit design features of the combined plan as part of the consolidation so that members in this plan will experience no changes.

While members (e.g., District employees) may have elected the member-directed plan, the majority of employee members are in OPERS' traditional pension plan; therefore, the following disclosure focuses on the traditional pension plan. Throughout this disclosure, references to the traditional pension plan are inclusive of the combined plan division, unless otherwise noted.

Members of the combined plan division earn a formula benefit similar to, but at a factor less than, the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, combined plan division member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment gains or losses on those contributions. Members in this division may also elect to annuitize their defined contribution account balances.

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

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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.

Traditional pension plan state and local members (excluding the combined plan division) who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Law enforcement and public safety members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Combined plan division members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

When a traditional pension plan 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. Members retiring under the combined plan division receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after 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%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan division members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan division consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan division members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The ORC provides statutory authority for member and employer contributions. For fiscal year 2025, 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 \$200 for 2025.

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, 2024 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 0.00810524%, a decrease of 0.00124541% and \$1,987, respectively. Pension expense for the District was negative \$67.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2025, the District reported deferred outflows of resources related to pension from the following sources (amounts in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
MSD contributions subsequent to the measurement date	\$ 200	\$ -
Net difference between projected and actual investment earnings	231	-
Difference between expected and actual experience	37	-
Change in MSD's proportionate share	<u>6</u>	<u>(104)</u>
	<u>\$ 474</u>	<u>\$ (104)</u>

\$200 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, 2026. Other amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
Year Ended December 31:	
2025	\$ 71
2026	217
2027	(89)
2028	<u>(29)</u>
	<u>\$ 170</u>

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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	2.75%
Future salary increases (including inflation)	2.75% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 2.90% simple through 2025, then 2.05% simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

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

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

During 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, including the defined benefit component of the Combined Plan division, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 8.8% for 2024.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 real rates of return over a 20-year period 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 real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real 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, 2024, these best estimates are summarized in the following table. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (geometric)
Fixed Income	24.00%	2.42%
Domestic Equities	21.00%	5.70%
Real Estate	13.00%	4.17%
Private Equity	15.00%	8.40%
International Equities	20.00%	6.10%
Risk Parity	2.00%	4.40%
Other Investments	<u>5.00%</u>	2.54%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan. 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 6.9%, 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 (5.9%) and one-percentage point higher (7.9%) than the current rate:

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (5.9%)		Current Discount Rate (6.9%)		1% Increase (7.9%)
MSD's proportionate share of the net pension liability	\$ 3,251	\$	1,987	\$	937

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 a fiduciary fund of the City, which also participates in and contributes to CRS, with a measurement date of June 30, 2025.

CRS provides retirement and disability benefits, death benefits, and retiree health care benefits to plan members and beneficiaries.

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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 benefit with up to a three-step formula. The first step is the AHC based upon three consecutive years of earnings for service through December 31, 2013. The second step is the AHC based upon five consecutive years of earnings for service on and after January 1, 2014. The third step is for service in excess of 20 years and is based on the AHC for three consecutive years of earnings. Similarly, Group F will have a benefit with up to a three-step formula. The first step is the AHC based upon three consecutive years of earnings for service through June 30, 2011. The second step is the AHC based upon five consecutive years of earnings for service on and after July 1, 2011. The third step is for service in excess of 20 years and is based on the AHC for three consecutive years of earnings. 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 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 and is to be funded by separate contributions made by the Plan over a 15-year period. The annual payments are received by July 30 each fiscal year.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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.

Interest is paid on DROP account balances quarterly at the rate equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve, with a cap of 5%. The variable interest rate is determined quarterly. The rate for the last business day of each calendar quarter is applied to the following quarter.

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 the CRS pension as of the June 30, 2025, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits	4,138
Terminated plan members and beneficiaries (optionees) entitled to future benefits	298
Deferred retirement option plan (DROP) participants	96
Active plan members:	
Full-time	2,900
Part-time	1,427
Total	8,638
Inactive participants**	11,257

** 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 their pensionable wages for 2025. 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 2025, the contribution rate was 17.75%. The District’s contributions to the City of Cincinnati Retirement System’s Pension Fund for the year ending December 31, 2025, were \$9,029.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The District reported a net pension liability of \$146,917 and a negative pension expense of \$60,350.

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Net</u>
MSD contributions subsequent to the measurement date	\$ 5,705	\$ -	\$ 5,705
Differences between expected and actual experience	239	-	239
Net difference between projected and actual investment earnings	-	(4,688)	(4,688)
Change in proportion	-	(4,141)	(4,141)
	<u>\$ 5,944</u>	<u>\$ (8,829)</u>	<u>\$ (2,885)</u>

\$5,705 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of <u>Resources</u>
2026	\$ 45
2027	(3,438)
2028	(3,384)
2029	(1,813)
	<u>\$ (8,590)</u>

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 8.75%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.50%
Single equivalent interest rate, net of pension plan investment expense, including inflation	
Measurement date	7.50%
Prior measurement date	7.50%

Active member mortality rates were based on the Pub-2010 General Employees Amount-Weighted Mortality Table, with generational mortality improvement projections from the base year of 2010 using scale MP-2021. Healthy inactive member mortality rates were based on the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table, with a 110% adjustment for males and 115% for females, and with generational mortality improvement projections from the base year of 2010 using scale MP-2021. Disabled inactive member mortality rates were based on the Pub-2010 Non-Safety Disabled Retirees Amount-Weighted Mortality Table with generational mortality improvement projections from the base year of 2010 using scale MP-2021.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of the last actuarial experience study adopted by the CRS Board on March 23, 2023.

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.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	9.0 %	4.7 %
Core Plus Bonds	11.5 %	5.2 %
Opportunistic Credit	2.0 %	7.0 %
Private Debt	6.5 %	9.0 %
All Cap U.S. Equity	24.0 %	7.2 %
Large-Cap Value Equity	2.5 %	7.1 %
Small-Cap Value Equity	2.0 %	8.0 %
Non-U.S. All Cap	16.0 %	7.3 %
Real Estate Core Equity	6.0 %	6.4 %
Infrastructure	10.0 %	6.9 %
Volatility Risk Premium	2.5 %	6.5 %
Private Equity	8.0 %	9.9 %
Total	100.0 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.50% as of June 30, 2025. 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 projected future benefit payments for current members. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2025, is 7.50%. The single equivalent rate used to determine the total pension liability as of June 30, 2024, was 7.50%.

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
MSD's Net Pension Liability	\$ 192,232	\$ 146,917	\$ 108,440

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Change in the Net Pension Liability: Changes in the District financial reporting entity’s net pension liability for the measurement year ended June 30, 2025, were as follows (amounts in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2024	\$ 487,955	\$ 327,658	\$ 160,297
Changes for the year:			
Service cost	4,431	-	4,431
Interest	32,391	-	32,391
Difference between expected and actual experience	581	-	581
Contributions - employer	-	9,029	(9,029)
Contributions - employee	-	4,359	(4,359)
Net investment income	-	30,151	(30,151)
Benefit payments, including refunds of employee contributions	(33,227)	(33,227)	-
Administrative expense	-	(343)	343
Other changes	-	7,587	(7,587)
Net changes	4,176	17,556	(13,380)
Balances at June 30, 2025	\$ 492,131	\$ 345,214	\$ 146,917

The total pension liability (TPL) at the end of the measurement year, June 30, 2025, is measured as of the valuation date of December 31, 2024, and projected to June 30, 2025. 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 8 – 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Net OPEB Liability / (Asset)

For purposes of measuring the net OPEB liabilities / (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 liability / (asset) reported on the statement of net position represents a liability or 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 liability / (asset) represents the District’s actuarial present value (or with the OPERS cost-sharing, multiple-employer plan, the 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 liability / (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 are presented as either a long-term *net OPEB asset* or *net OPEB 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 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 liability / (asset). Resulting adjustments to the net OPEB liability / (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Plan Description— OPERS

The OPERS administers two separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; and the member-directed plan, a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Age 59 or younger Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to December 1, 2014, with at least 10 years of qualifying health care service credit will continue to be eligible for OPERS health care program. Members with a retirement date after December 1, 2014, but prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements: December 1, 2014, or Prior	Age and Service Requirements: December 1, 2014, or Prior	Age and Service Requirements: December 1, 2014, or Prior
Any age with 10 years of service credit	Any age with 10 years of service credit	Any age with 10 years of service credit
January 1, 2015, through December 31, 2021	January 1, 2015, through December 31, 2021:	January 1, 2015, through December 31, 2021
Age 60 with 20 years of service credit or any age with 30 years of service credit	Age 50 with 31 years of service credit or Age 60 with 20 years of service credit or Any age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B, and C.

Beginning January 1, 2014, qualifying contributing service credit for health care will be accumulated only if the member's eligible salary is at least \$1,000 per month. Partial health care credit will not be granted for months in which eligible salary is less than \$1,000. Credit earned prior to January 2014 will not be affected by this requirement.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
*(all amounts in thousands)***

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Recipients of disability benefits prior to January 1, 2014, have continued access to the health care program while the disability benefit continues and will not be subject to the five-year rule described below. The allowance will be determined in the same manner as an age-and-service retiree. If the recipient does not meet minimum age-and-service requirements, the minimum allowance will be used. Recipients with an initial disability effective date on or after January 1, 2014, will have coverage during the first five years of disability benefits. After five years, the recipient must meet minimum age-and-service health care eligibility requirements or be enrolled in Medicare (due to disability status) to remain enrolled in the OPERS health care program. If enrolled, the allowance will be determined in the same way as an age-and-service retiree.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances are determined using a percentage based on years of service and the age when the individual is first eligible for the HRA, multiplied by the base allowance as determined by the Board.

The base allowance was \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees throughout 2024. The base allowance for Medicare retirees increased to \$400 per month in January 2025. Monthly allowances range between 51% and 90% of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan. While Medicare eligible retirees must use the Connector to select a vendor to be eligible to receive an HRA, non-Medicare eligible retirees may use the Connector or another vendor and still be eligible to receive an HRA.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**
(all amounts in thousands)

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Participants in the Member-Directed Plan have a portion of the employer contribution credited to an individual retiree medical account. Interest accrues based on the investment performance of the stable value fund, not to exceed 4%. Members with an account prior to July 1, 2015, become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. Members establishing accounts on or after July 1, 2015, vest over 15 years at a rate of 10% each year starting with the sixth year of participation.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy—The ORC provides the statutory authority allowing 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan (except for the combined division).

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2025, state and local employers contributed at a rate of 14.0% 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. For 2025, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a 2% allocation to health care for the Combined Plan Division which continued through 2025. 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 2025 was 4.0%. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2025.

The District’s contractually required contribution to OPERS for OPEB was \$1 for 2025.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

OPEB Liabilities/(Assets), 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, 2023, rolled forward to the measurement date of December 31, 2024, 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 0.00789249% a decrease of 0.00107761%, and (\$185), respectively. OPEB expense for the District was a negative \$52.

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
MSD contributions subsequent to the measurement date	\$ 1	\$ -	\$ 1
Net difference between projected and actual investment earnings	4	-	4
Difference between expected and actual experience	-	(8)	(8)
Change in assumptions	-	(27)	(27)
Change in MSD's proportionate share	5	-	5
	<u>\$ 10</u>	<u>\$ (35)</u>	<u>\$ (25)</u>

\$1 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, 2026. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
Year Ended December 31:	
2026	\$ (15)
2027	19
2028	(22)
2029	(8)
	<u>\$ (26)</u>

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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 asset was determined by an actuarial valuation as of December 31, 2023, rolled forward to the measurement date of December 31, 2024. 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	2.75%
Projected salary increases	2.75% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	6.00%
Prior measurement period	5.70%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	4.08%
Prior measurement period	3.77%
Health care cost trend rate:	
Current measurement period	5.5% initial, 3.50% ultimate in 2039
Prior measurement period	5.5% initial, 3.50% ultimate in 2038
Actuarial cost method	Individual entry age

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

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

During 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio, and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan division and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 10.0% for 2024.

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 real rates of return over a 20-year period 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 real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real 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, 2024, these best estimates are summarized on the following page. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (geometric)
Fixed Income	37.00%	2.37%
Domestic Equities	26.00%	5.70%
REITs	5.00%	5.00%
International Equities	26.00%	6.10%
Risk Parity	3.00%	4.40%
Other Investments	3.00%	2.50%
Total	<u>100.00%</u>	

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Discount Rate. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2024; however, the single discount rate used at the beginning of the year was 5.70%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on the actuarial assumed rate of return of 6.00%. 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 the year 2124. As a result, the single discount rate was set as the actuarial assumed long-term expected rate of return on health care investments and was applied to projected costs through the year 2124, the duration of the projection period through which projected health care payments are fully funded. The tax-exempt municipal bond rate was not needed in the determination of the single discount rate.

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 liability or (asset) if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
MSD ¹ proportionate share of the net OPEB (asset)	\$ (92)	\$ (185)	\$ (263)

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 2025 is 5.50%. 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
MSD' proportionate share of the net OPEB (asset)	\$ (188)	\$ (185)	\$ (182)

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 OPEB as of the June 30, 2025, measurement date was as follows:

Retirees and beneficiaries (optionees) receiving benefits*	4,505
Terminated plan members and beneficiaries (optionees) entitled to future benefits	298
Deferred retirement option plan (DROP) participants	95
Active plan members:	
Full-time	1,414
Part-time	144
Total	6,456

* OPEB members include 1,246 spouses currently receiving retiree health benefits.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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 fiduciary fund of the City, which also participates in and contributes to the CRS, with a measurement date of June 30, 2024.

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, 2025, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of December 31, 2024. The District reported a net OPEB (asset) of (\$38,747) and negative OPEB expense of \$5,786.

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ -	\$ (1,598)	\$ (1,598)
Net difference between projected and actual investment earnings	-	(1,715)	(1,715)
Change in proportion	1,121	-	1,121
Change in assumptions	1,818	(3,007)	(1,189)
	<u>\$ 2,939</u>	<u>\$ (6,320)</u>	<u>\$ (3,381)</u>

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

Year Ended December 31:	Net Deferred Outflows/ (Inflows) of Resources
2026	\$ 1,085
2027	(2,770)
2028	(1,101)
2029	(595)
	\$ (3,381)

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	2.60%
Salary increases, including wage inflation	3.75% - 8.75%, decreasing as years of service increase
Long-term investment rate of return	7.50%
Municipal bond index rate:	
Measurement date	5.20%
Prior measurement date	3.93%
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:	
Pre-Medicare	8.40% for 2023, decreasing to an ultimate rate of 4.04% by 2043.
Post-Medicare	-2.13% / -2.14% for Non-Model and Model Plans, respectively, for 2023, decreasing to an ultimate rate of 4.04% by 2043.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

The demographic actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study, adopted by the Board on March 23, 2023.

Pre-retirement mortality rates were based on the PUB-2010 General Employees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021. Post-retirement mortality rates were based on the PUB-2010 General Retirees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021. For disabled lives, mortality rates were based on the PUB-2010 General Disabled Retirees Amount-weighted Mortality table with fully generational projected mortality improvements using MP-2021.

Of the CSA employee members eligible for DROP benefits, 30% are assumed to decline participation and 70% 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 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.

**METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)**

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Core Bonds	9.0 %	4.7 %
Core Plus Bonds	11.5 %	5.2 %
Opportunistic Credit	2.0 %	7.0 %
Private Debt	6.5 %	9.0 %
All Cap U.S. Equity	24.0 %	7.2 %
Large-Cap Value Equity	2.5 %	7.1 %
Small-Cap Value Equity	2.0 %	8.0 %
Non-U.S. All Cap	16.0 %	7.3 %
Real Estate Core Equity	6.0 %	6.4 %
Infrastructure	10.0 %	6.9 %
Volatility Risk Premium	2.5 %	6.5 %
Private Equity	8.0 %	9.9 %
Total	100.0 %	

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 26, 2025, was 5.20% and 3.93% at June 27, 2024.

The discount rate used to measure the total OPEB liability as of June 30, 2025, 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, 2024. In addition to the actuarial methods and assumptions of the December 31, 2024, 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%

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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:

MSD' Net OPEB (Asset)	Healthcare Cost Trend Rates		
	1% Decrease	Current Rate	1% Increase
1% Increase (8.50%)		\$ (44,262)	
Current Discount Rate (7.50%)	\$ (44,932)	(38,747)	\$ (31,444)
1% Decrease (6.50%)		\$ (32,262)	

Change in Net OPEB (Asset). Changes in the District's financial reporting entity's net OPEB liability/(asset) for the measurement year ended June 30, 2025, were as follows (amounts in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset)
Balances at June 30, 2024	\$ 70,926	\$ 100,234	\$ (29,308)
Changes for the year:			
Service cost	454	-	454
Interest	4,831	-	4,831
Difference between expected and actual experience	(1,815)	-	(1,815)
Change in assumptions	(4,510)	-	(4,510)
Net investment income	-	9,898	(9,898)
Benefit payments, including refunds of employee contributions	(3,734)	(3,734)	-
Administrative expense	-	(113)	113
Other changes	-	(1,386)	1,386
Net changes	(4,774)	4,665	(9,439)
Balances at June 30, 2025	\$ 66,152	\$ 104,899	\$ (38,747)

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

The total OPEB liability as of June 30, 2025, is based on the actuarial valuation results as of December 31, 2024. The total OPEB liability as of June 30, 2025, 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 2025, 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, a 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, 2025, before reflecting any changes of assumptions or other inputs is the experience (gain) or loss for the period.

NOTE 9 - RELATED PARTY TRANSACTIONS

Cincinnati Water Works provides billing and collection services on customers’ accounts for the District. Fees for these services for 2025 and 2024 were and \$7,273 and \$7,301, 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 the District, such as check disbursement, investment and legal services, etc. The fees for these services for 2025 and 2024 were \$2,696 and \$3,208, respectively. In addition, the City’s Municipal Garage provides gasoline and repairs vehicles for the District. Fees for these services were \$1,802 and \$1,674 for 2025 and 2024, respectively.

NOTE 10 - 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, the District’s Revised Wet Weather Improvement Plan was approved by the federal government. The commitment was for the District to complete a Phase 1 group of projects totaling \$1,145,000 billion (in 2006 dollars). Work on Phase 1 is now complete and consent decree documents are posted on the District website, msdgc.org, under consent decree.

As part of District’s capital improvement program, the District has entered into a number of contracts for construction, design, and other services. Commitments under these contracts aggregate approximately \$552,331 as of December 31, 2025 and \$105,200 as of December 31, 2024.

METROPOLITAN SEWER DISTRICT OF GREATER CINCINNATI
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(all amounts in thousands)

NOTE 11 - RISK MANAGEMENT

The 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, the District carries property insurance pursuant to an all-risk policy on the District's buildings and equipment per the revenue bond trust agreement. There has been no reduction in insurance coverage from coverage in 2004. 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 12 - SUBSEQUENT EVENT

Subsequent to year end, the City announced plans to implement a new pension funding policy for the Cincinnati Retirement System (CRS) designed to achieve full actuarial funding by 2049. The proposed policy includes increased employer contributions, a one-time cash contribution, and gradual increases in employee contribution rates. Pension benefit provisions—including retirement eligibility requirements, benefit multipliers, cost-of-living adjustments, and retiree healthcare benefits—are not affected by the proposed changes. Implementation of the funding policy is contingent upon judicial approval of amendments to the existing Collaborative Settlement Agreement, with an anticipated effective date of July 1, 2026. Management will evaluate the financial reporting impact of the policy in future periods once approval is obtained and implementation occurs.

Metropolitan Sewer District (MSD) of Greater Cincinnati
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

Table 1
(Amounts in thousands)

Measurement Year (1)	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
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%
2022	0.01349425%	1,174	1,950	60.21%	92.62%
2023	0.01185511%	3,502	1,829	191.47%	75.74%
2024	0.00935065%	2,448	1,521	160.95%	79.01%
2025	0.00810524%	1,987	1,493	133.09%	80.99%

Calendar Year	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
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%
2022	256	(256)	-	1,829	14.00%
2023	213	(213)	-	1,521	14.00%
2024	209	(209)	-	1,493	14.00%
2025	200	(200)	-	1,429	14.00%

(1) Amounts presented for each year were determined as of the MSD's measurement date, which is the prior year-end.

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Schedule of the MSD's Proportionate Share of the Net OPEB Liability/(Asset)
Ohio Public Employees Retirement System**

**Table 2
(Amounts in thousands)**

Measurement Year (1) (2)	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%
2022	0.01318646%	(413)	1,950	(21.18%)	128.23%
2023	0.01156894%	73	1,829	3.99%	94.79%
2024	0.00897010%	(81)	1,521	(5.33%)	107.76%
2025	0.00789249%	(185)	1,493	(12.39%)	121.51%

Calendar Year	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
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%
2022	5	(5)	-	1,829	0.27%
2023	3	(3)	-	1,521	0.20%
2024	2	(2)	-	1,493	0.13%
2025	1	(1)	-	1,429	0.07%

(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.

Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Ten Years (1)
Table 3
(Amounts in thousands)

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 4,431	\$ 7,602	\$ 6,993	\$ 4,055	\$ 11,344
Interest	32,391	29,823	29,950	34,899	24,870
Benefit changes	-	-	-	-	4,537
Difference between expected and actual experience	581	3,264	578	1,931	15,853
Changes of assumptions	-	(120,049)	10,320	125,010	(259,433)
Benefit payments and refunds	(33,227)	(34,462)	(35,045)	(36,245)	(34,438)
Other	-	-	-	-	-
Net change in total pension liability	4,176	(113,822)	12,796	129,650	(237,267)
Total pension liability - beginning	487,955	601,777	588,981	459,331	696,598
Total pension liability - ending (a)	492,131	487,955	601,777	588,981	459,331
Plan net position					
Contributions - employer	9,029	8,311	7,722	7,304	6,400
Contributions - member	4,359	4,132	3,947	3,864	3,723
Contributions - ERIP payoff	-	-	-	-	-
Net investment income (loss)	30,151	29,779	22,411	(15,379)	88,994
Benefit payments and refunds	(33,227)	(34,462)	(35,045)	(36,245)	(34,438)
Administrative expense	(343)	(360)	(333)	(333)	(334)
Other	7,587	6,775	13,187	(1,533)	8,730
Net change in plan net position	17,556	14,175	11,889	(42,322)	73,075
Plan net position - beginning	327,658	313,483	301,594	343,916	270,841
Plan net position - ending (b)	345,214	327,658	313,483	301,594	343,916
Net pension liability - ending (a) - (b)	\$ 146,917	\$ 160,297	\$ 288,294	\$ 287,387	\$ 115,415
Ratio of plan net position to total pension liability	70.15%	67.15%	52.09%	51.21%	74.87%
Covered payroll	\$ 48,736	\$ 46,838	\$ 43,662	\$ 42,611	\$ 40,549
Net pension liability as a percentage of covered payroll	301.45%	342.24%	660.29%	674.44%	284.63%

(continued)

(1) The measurement year is from July 1 through June 30.

See Notes to the Required Supplementary Pension Information.

Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Changes in Net Pension Liability and Related Ratios
Cincinnati Retirement System
Last Ten Years (1)
Table 3 (continued)
(Amounts in thousands)

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 7,108	\$ 4,489	\$ 4,260	\$ 3,764	\$ 5,639
Interest	30,825	32,602	30,470	29,256	25,454
Benefit changes	-	-	-	5,344	(13,545)
Difference between expected and actual experience	5,073	8,698	5,577	649	734
Changes of assumptions	151,500	101,687	9,403	-	(111,431)
Benefit payments and refunds	(33,311)	(32,110)	(31,436)	(30,612)	(29,102)
Other	-	-	-	-	(35,654)
Net change in total pension liability	161,195	115,366	18,274	8,401	(157,905)
Total pension liability - beginning	535,403	420,037	401,763	393,362	551,267
Total pension liability - ending (a)	696,598	535,403	420,037	401,763	393,362
Plan net position					
Contributions - employer	6,531	6,381	6,080	5,647	4,639
Contributions - member	3,775	3,677	3,521	3,246	1,599
Contributions - ERIP payoff	-	-	-	-	8,723
Net investment income	(3,973)	14,394	26,180	38,292	(2,065)
Benefit payments and refunds	(33,311)	(32,110)	(31,436)	(30,612)	(29,102)
Administrative expense	(355)	(278)	(277)	(288)	(962)
Other	(1,005)	(1,439)	(1,893)	(3,065)	24,110
Net change in plan net position	(28,338)	(9,375)	2,175	13,220	6,942
Plan net position - beginning	299,179	308,554	306,379	293,159	286,217
Plan net position - ending (b)	270,841	299,179	308,554	306,379	293,159
Net pension liability - ending (a) - (b)	\$ 425,757	\$ 236,224	\$ 111,483	\$ 95,384	\$ 100,203
Ratio of plan net position to total pension liability	38.88%	55.88%	73.46%	76.26%	74.53%
Covered payroll	\$ 41,462	\$ 40,764	\$ 37,809	\$ 34,942	\$ 31,809
Net pension liability as a percentage of covered payroll	1026.86%	579.49%	294.86%	272.98%	315.01%

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's Pension Contributions
Cincinnati Retirement System
Last Ten Calendar Years
Table 4
(Amounts in thousands)**

	Actuarially Determined Employer Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	MSD's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2022	13,805	(6,940)	6,865	42,946	16.16%
2023	14,665	(7,386)	7,279	44,734	16.51%
2024	15,497	(8,389)	7,108	48,598	17.26%
2025	15,795	(9,070)	6,725	50,317	18.03%

See Notes to the Required Supplementary Pension Information.

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

	2025	2024	2023	2022	2021
Total OPEB liability					
Service cost	\$ 454	\$ 479	\$ 502	\$ 538	\$ 584
Interest	4,831	4,658	4,758	5,488	5,096
Benefit changes	-	-	-	-	3,035
Difference between expected and actual experience	(1,815)	(1,224)	(1,608)	401	255
Changes of assumptions	(4,510)	5,726	836	(8,566)	-
Benefit payments	(3,734)	(4,349)	(4,212)	(4,654)	(4,814)
Net change in total OPEB liability	<u>(4,774)</u>	<u>5,290</u>	<u>276</u>	<u>(6,793)</u>	<u>4,156</u>
Total OPEB liability - beginning	70,926	65,636	65,360	72,153	67,997
Total OPEB liability - ending (a)	66,152	70,926	65,636	65,360	72,153
Plan net position					
Net investment income (loss)	9,898	9,522	6,939	(4,618)	26,077
Benefit payments	(3,734)	(4,349)	(4,212)	(4,654)	(4,814)
Administrative expense	(113)	(115)	(103)	(100)	(98)
Other	(1,386)	(710)	(1,343)	417	(302)
Net change in plan net position	<u>4,665</u>	<u>4,348</u>	<u>1,281</u>	<u>(8,955)</u>	<u>20,863</u>
Plan net position - beginning	100,234	95,886	94,605	103,560	82,697
Plan net position - ending (b)	104,899	100,234	95,886	94,605	103,560
Net OPEB liability/(asset) - ending (a) - (b)	<u>\$ (38,747)</u>	<u>\$ (29,308)</u>	<u>\$ (30,250)</u>	<u>\$ (29,245)</u>	<u>\$ (31,407)</u>
Ratio of plan net position to total OPEB liability/(asset)	158.57%	141.32%	146.09%	144.74%	143.53%
Covered employee payroll	\$ 21,180	\$ 24,447	\$ 26,278	\$ 26,992	\$ 28,755
Net OPEB liability/(asset) as a percentage of covered employee payroll	(182.94%)	(119.88%)	(115.12%)	(108.35%)	(109.22%)

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

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

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Schedule of MSD's OPEB 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 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%
2022	-	-	-	29,962	0.00%
2023	-	-	-	29,942	0.00%
2024	-	-	-	30,556	0.00%
2025	-	-	-	29,731	0.00%

See Notes to the Required Supplementary OPEB Information.

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Ohio Public Employees Retirement System (OPERS)**

Notes to Pension Information

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

Changes of 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%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

Effective January 1, 2024, the Combined Plan was consolidated into the Traditional Pension Plan as a separate division. No changes were made to the benefit design features of the Combined Plan as part of this consolidation. Members in this plan will continue to receive benefits under the Combined Plan provisions in effect prior to the consolidation, subject to future changes to the Traditional Pension Plan.

Notes to OPEB Information

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Ohio Public Employees Retirement System (OPERS)**

Notes to OPEB Information (continued)

Changes of 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 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 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.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

In 2023, the single discount rate changed from 6.00% to 5.22% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2034 to 5.5% initial, 3.50% ultimate in 2036.

In 2024, the single discount rate changed from 5.22% to 5.70% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2036 to 5.5% initial, 3.50% ultimate in 2038.

In 2025, the single discount rate changed from 5.70% to 6.00% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2038 to 5.5% initial, 3.50% ultimate in 2039.

**Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Cincinnati Retirement System**

Notes to Pension Information

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 thirty-year period
Asset valuation method	Five-year smoothed market value
Inflation	2.75%
Salary increases, including wage inflation	3.75% to 8.75%
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.

Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Cincinnati Retirement System

Notes to Pension Information (continued)

Changes of Assumptions

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 mortality 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.

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.

In 2022, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2047. Projected benefit payments beyond 2047 were discounted at the municipal bond rate of 3.54%, resulting in a single equivalent discount rate of 5.25%.

In 2023, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members through 2047. Projected benefit payments beyond 2047 were discounted at the municipal bond rate of 3.65%, resulting in a single equivalent discount rate of 5.23%.

In 2024, the System's fiduciary net position was projected to be available to make projected future benefit payment for current members for all future periods. Consequently, the single equivalent rate used to determine the total pension liability as of December 31, 2024 is 7.50%.

Metropolitan Sewer District (MSD) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Cincinnati Retirement System

Notes to OPEB Information

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 thirty-year period
Asset valuation method	Five-year smoothed market value
Inflation	CPI: 2.75%; Medical CPI: 2.60%
Salary increases, including wage inflation	3.75% to 8.75%
Investment rate of return	7.50%, net of pension plan investment, expense, and including inflation

Changes 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) of Greater Cincinnati
Hamilton County, Ohio
Required Supplementary Information
Notes to Required Supplementary Information
Cincinnati Retirement System

Notes to OPEB Information (continued)

Changes of Assumptions

In 2023 and 2024, healthcare costs and trends were updated to reflect the current marketplace.

In 2021, healthcare costs and trends were updated to reflect the current marketplace and participation assumptions were updated for future retirees to better reflect observed and expected experience.

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 rates 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.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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
1600 Gest Street
Cincinnati, Ohio 45204

To the Hamilton County Board of Commissioners:

We have audited, in accordance with the 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 (*Government Auditing Standards*), 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, 2025 and 2024, 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 8, 2026.

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 purpose 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
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 8, 2026

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025**

Finding Number	Finding Summary	Status	Additional Information
2024-001	Financial Reporting – Various errors were identified in the financial statements and notes to the financial statements.	Partially Corrected	Errors identified in the financial statements and notes to the financial statements are reported in the management letter.

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 5/26/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov