

**CITY OF NORTH ROYALTON  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2023**

***Zupka & Associates***  
**Certified Public Accountants**





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

City Council  
City of North Royalton  
14600 State Rd.  
North Royalton, OH 44133

We have reviewed the *Independent Auditor's Report* of the City of North Royalton, Cuyahoga County, prepared by Zupka & Associates, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of North Royalton is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 25, 2024**

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**CITY OF NORTH ROYALTON  
 CUYAHOGA COUNTY, OHIO  
 AUDIT REPORT  
 FOR THE YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

City of North Royalton  
Cuyahoga County  
14600 State Road  
North Royalton, Ohio 44133

To the Members of City Council:

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Royalton, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Royalton as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, Street Construction, Maintenance and Repair Fund and EMS Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern for a reasonable period of time.

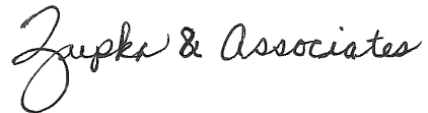
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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 Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, 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 June 21, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

June 21, 2024



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**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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The discussion and analysis of the City of North Royalton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Financial highlights for 2023 are as follows:

- The City's net position increased during 2023 due to an increase in cash, income taxes and property taxes. Cash increased due to an increase in income taxes as the economy continues to recover from the COVID 19 pandemic. In addition, the City saw an increase to property taxes from changes to assessed property valuations.
- Total governmental capital assets decreased due to current year depreciation exceeding capital asset additions consisting of ongoing construction projects, infrastructure, various pieces of furniture, fixtures and equipment and vehicles. The business-type activities capital assets additions included ongoing construction projects, infrastructure improvements and a variety of machinery and equipment.
- Staff saw a three percent increase in base salary, which resulted in increase in expenditures for all departments.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand the City of North Royalton as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

### **Reporting on the City of North Royalton as a Whole**

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all *assets* and *deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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These two statements report the City's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

**Governmental Activities** – Most of the City's programs and services are reported here including general government, security of persons and property, public health services, transportation, community environment and leisure time activities. These services are funded primarily by taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

**Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

**Reporting on the Most Significant Funds of the City of North Royalton**

***Fund Financial Statements*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street construction, maintenance and repair and EMS levy special revenue funds.

***Governmental Funds*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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*Management's Discussion and Analysis*  
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**Proprietary Funds** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise fund is the sanitary sewer fund.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are custodial funds.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The City of North Royalton as a Whole**

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2023 as they compare to 2022.

(Table 1)  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and Other Assets	\$44,378,768	\$39,153,879	\$11,766,606	\$11,203,850	56,145,374	\$50,357,729
Net Pension Asset	145,022	237,451	61,122	98,218	206,144	335,669
Net OPEB Asset	0	974,697	0	403,168	0	1,377,865
Capital Assets, Net	70,489,067	72,471,769	60,077,978	60,861,788	130,567,045	133,333,557
<i>Total Assets</i>	<u>115,012,857</u>	<u>112,837,796</u>	<u>71,905,706</u>	<u>72,567,024</u>	<u>186,918,563</u>	<u>185,404,820</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	256,246	313,882	0	0	256,246	313,882
Pension	13,091,898	7,972,530	1,757,506	654,508	14,830,131	8,627,038
OPEB	1,823,631	1,416,467	269,156	9,250	2,089,282	1,425,717
<i>Total Deferred Outflows of Resources</i>	<u>15,171,775</u>	<u>9,702,879</u>	<u>2,026,662</u>	<u>663,758</u>	<u>17,175,659</u>	<u>10,366,637</u>
<b>Liabilities</b>						
Current Liabilities	2,357,640	2,635,685	769,448	1,219,531	3,127,088	3,855,216
Long-term Liabilities						
Due within one Year	2,223,570	2,218,340	1,181,941	1,090,533	3,405,511	3,308,873
Due in More than one Year						
Net Pension Liability	33,553,419	18,577,695	3,963,539	1,109,572	37,516,958	19,687,267
Net OPEB Liability	2,015,762	2,788,751	86,708	0	2,102,470	2,788,751
Other Amounts	15,730,861	17,604,595	14,308,079	14,123,217	30,038,940	31,727,812
<i>Total Liabilities</i>	<u>\$55,881,252</u>	<u>\$43,825,066</u>	<u>\$20,309,715</u>	<u>\$17,542,853</u>	<u>\$76,190,967</u>	<u>\$61,367,919</u>

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

(Table 1)  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Deferred Inflows of Resources</b>						
Property Taxes	\$6,262,542	\$6,093,633	\$0	\$0	\$6,262,542	\$6,093,633
Payments in Lieu of Taxes	605,694	471,714	0	0	605,694	471,714
Leases	541,500	173,067	0	0	541,500	173,067
Pension	1,206,423	8,729,752	19,387	1,393,732	1,206,537	10,123,484
OPEB	2,073,710	2,187,074	28,598	422,236	2,098,803	2,609,310
<i>Total Deferred Inflows of Resources</i>	<u>10,689,869</u>	<u>17,655,240</u>	<u>47,985</u>	<u>1,815,968</u>	<u>10,715,076</u>	<u>19,471,208</u>
<b>Net Position</b>						
Net Investment in Capital Assets	55,071,820	55,091,532	43,108,744	45,497,158	98,180,564	100,588,690
Restricted for:						
Capital Projects	653,396	444,737	0	0	653,396	444,737
Debt Service	708,303	951,564	0	0	708,303	951,564
Pension/OPEB Plans	145,022	1,212,148	61,122	501,386	206,144	1,713,534
Other Purposes	8,877,970	5,630,161	0	0	8,877,970	5,630,161
Unrestricted (Deficit)	<u>(1,843,000)</u>	<u>(2,269,773)</u>	<u>10,404,802</u>	<u>7,873,417</u>	<u>8,561,802</u>	<u>5,603,644</u>
<i>Total Net Position</i>	<u>\$63,613,511</u>	<u>\$61,060,369</u>	<u>\$53,574,668</u>	<u>\$53,871,961</u>	<u>\$117,188,179</u>	<u>\$114,932,330</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2023. 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 they received the benefit of the exchange. However, the City 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 Ohio Revised Code 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.

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

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has increased when compared with the prior year as evidenced by the increase in net position for governmental activities.

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The increase in governmental net position can be attributed to an increase in cash, property taxes and income taxes. Cash increased due to an increase in income taxes as the economy continues to recover from the COVID 19 pandemic. In addition, the City saw an increase to property taxes from changes to assessed property valuations. This is despite a decrease in capital assets, due to current year depreciation exceeding current year additions. The net pension liability represents the City's proportionate share of the pension plans' unfunded benefits. As indicated above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liabilities.

The net position for business-type activities decreased slightly from the prior year. The decrease in business-type net position can be attributed mainly to an increase in liabilities due to the continued receipt of OWDA proceeds as well as changed in the net pension/OPEB liabilities.

Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for fiscal years 2023 and 2022.

(Table 2)  
*Changes in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues</b>						
Charges for Services	\$2,866,754	\$2,875,590	\$8,381,748	\$8,042,081	\$11,248,502	\$10,917,671
Operating Grants and Contributions	2,814,565	4,198,492	0	0	2,814,565	4,198,492
Capital Grants	338,031	1,219,527	33,990	0	372,021	1,219,527
<i>Total Program Revenues</i>	<u>6,019,350</u>	<u>8,293,609</u>	<u>8,415,738</u>	<u>8,042,081</u>	<u>14,435,088</u>	<u>16,335,690</u>
<b>General Revenues</b>						
Property Taxes	6,297,827	6,012,964	0	0	6,297,827	6,012,964
Municipal Income Tax	22,415,270	21,431,456	0	0	22,415,270	21,431,456
Grants and Entitlements not Restricted to Specific Programs	856,591	876,437	0	0	856,591	876,437
Gain on Sale of Capital Assets	43,212	77,676	43,012	17,222	86,224	94,898
Payments in Lieu of Taxes	472,909	265,241	0	0	472,909	265,241
Permissive Motor Vehicle Taxes	162,012	167,423	0	0	162,012	167,423
Investment Earnings/Interest	600,912	(4,536)	412,296	(310,895)	1,013,208	(315,431)
Unrestricted Contributions	1,708	0	0	0	1,708	0
Other	841,813	735,332	63,401	779,737	905,214	1,515,069
<i>Total General Revenues</i>	<u>31,692,254</u>	<u>29,561,993</u>	<u>518,709</u>	<u>486,064</u>	<u>32,210,963</u>	<u>30,048,057</u>
<i>Total Revenues</i>	<u>\$37,711,604</u>	<u>\$37,855,602</u>	<u>\$8,934,447</u>	<u>\$8,528,145</u>	<u>\$46,646,051</u>	<u>\$46,383,747</u>

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
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(Table 2)  
*Changes in Net Position (continued)*

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Program Expenses</b>						
General Government	\$4,455,376	\$3,541,631	\$0	\$0	\$4,455,376	\$3,541,631
Security of Persons and Property	17,940,518	12,593,239	0	0	17,940,518	12,593,239
Public Health Services	358,252	302,894	0	0	358,252	302,894
Transportation	7,527,693	8,157,993	0	0	7,527,693	8,157,993
Community Environment	1,156,951	950,980	0	0	1,156,951	950,980
Basic Utility Services	1,831,120	1,764,119	0	0	1,831,120	1,764,119
Leisure Time Activities	1,337,850	1,134,697	0	0	1,337,850	1,134,697
Interest	475,494	538,022	0	0	475,494	538,022
Sanitary Sewer	0	0	9,306,948	7,312,537	9,306,948	7,312,537
<i>Total Program Expenses</i>	<u>35,083,254</u>	<u>28,983,575</u>	<u>9,306,948</u>	<u>7,312,537</u>	<u>44,390,202</u>	<u>36,296,112</u>
Transfers	(75,208)	0	75,208	0	0	0
<i>Change in Net Position</i>	<u>2,553,142</u>	<u>8,872,027</u>	<u>(297,293)</u>	<u>1,215,608</u>	<u>2,255,849</u>	<u>10,087,635</u>
Net Position Beginning of Year	61,060,369	52,188,342	53,871,961	52,656,353	114,932,330	104,844,695
Net Position End of the Year	<u>\$63,613,511</u>	<u>\$61,060,369</u>	<u>\$53,574,668</u>	<u>\$53,871,961</u>	<u>\$117,188,179</u>	<u>\$114,932,330</u>

**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. For 2023, annual income tax receipts were more than half of all general revenues. The City's income tax rate is currently 2.0 percent. Residents of the City who work in another community receive a 100 percent credit up to 1.25 percent on income earned outside the City and paid to another municipality.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The City monitors its source of revenues very closely for fluctuations. Local government funding remained relatively consistent with the prior year. Investment earnings and miscellaneous receipts are somewhat unpredictable revenue sources.

Program revenues represent less than half of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, charges for services for EMS billings, cable franchise fees, fines, forfeitures and settlement monies and grant money restricted by the State and Federal granting agencies. 2023 saw a decrease in operating grants and contributions due to the City not receiving any additional COVID funding in 2023.

Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, finance (income tax, central cash, accounts payable, and payroll) and mayor's court.

Security of persons and property are the costs of police and fire protection; transportation is the cost of maintaining the roads; community environment represents expenses for planning, zoning, building department and economic development; basic utility services are the costs of contracting for rubbish services; leisure time activities are the costs of maintaining the parks and recreation areas.

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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**Business-Type Activities**

The City had one business-type activities in 2023, sanitary sewer. The largest source of revenue in 2023 was charges for services. Sanitary sewer received \$8,381,748 of charges for services during the year and had expenses of \$9,306,814. Personal services and contractual services were the largest expenses for the sanitary sewer as these comprise of salaries and benefits for staff along with ensuring the health of the facilities.

**The City's Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting.

As of the end of 2023, the City of North Royalton's governmental funds reported a positive combined ending fund balance. The City's major governmental funds are the general fund and the street construction, maintenance and repair and EMS levy special revenue funds. The general fund had an increase in fund balance due to the City ensuring revenues exceeded expenditures by careful budget management. The street construction, maintenance and repair special revenue fund had an increase in fund balance due to an increase in gas taxes and motor vehicle registration intergovernmental revenues received for road projects. This was coupled with a decrease in expenditures due to careful monitoring by City management. The EMS levy special revenue fund had an increase in fund balance due to an increase in property taxes as the City began receiving collection on the replacement levy approved by voters in 2022.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$8,445,149 and total operating expenses of \$9,029,152.

**General Fund Budgeting Highlights**

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2023, actual revenues for the general fund were less than final estimated revenues due to all revenues except property taxes, intergovernmental revenues and interest coming in lower than expected for the year. City Council's actual expenditures were less than final appropriations due to the City's careful monitoring of expenditures.



**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total capital assets for the governmental activities, net of accumulated depreciation decreased. Current year capital asset additions consisted of ongoing construction projects, infrastructure, various pieces of furniture, fixtures and equipment and vehicles. The value of these additions was less than the current year depreciation, resulting in a decrease to capital assets.

Total capital assets for the business-type activities, net of accumulated depreciation decreased due to current year depreciation exceeding current year additions. Some of the current year additions included construction projects, infrastructure improvements and a variety of machinery and equipment. See Note 10 to the basic financial statements for additional information on capital assets.

### **Long-Term Obligations**

The long-term obligations include general obligation bonds, special assessment bonds, OWDA loans, OPWC loans, net pension and post-employment liabilities, police and fire pension liability, financed purchases, and compensated absences. Governmental and business-type long-term obligations increased from the prior year, primarily due to increases in the net pension/OPEB liabilities. These increases were offset by the current year debt payments.

The City's overall legal debt margin was \$98,351,350 with an unvoted debt margin of \$44,602,787 at December 31, 2023. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

### **Current Financial Issues**

In 2023, the City of North Royalton saw an increase in Municipal Income Tax receipts. This positive trend in income tax receipts continued from 2022, and allowed for another year of positive increase in the general fund carryover balance. In 2023, the City of North Royalton continued to see an increase in withholding tax receipts due to many residents working from home (and the requirement where employers would remit withholding income tax based on where their employee was working and not the location of the employer).

In 2023, the City of North Royalton continued to improve Memorial Park and was awarded \$50,000 from Community Development Supplemental Grant from Cuyahoga County and \$200,000 from the Ohio Department of Natural Resources (ODNR) towards the Memorial Park All-Purpose Trail Project. The City also applied and was awarded \$79,650 from FEMA under the Hazard Mitigation Grant Program towards the Phase I Survey and Design for the Soil Stabilization project for Royalton Road and North Akins Road. The City continues to apply for grants to reduce the contribution required by the City for various projects around the city.

The City of North Royalton, like many other municipalities, faces uncertainty concerning Federal and State revenue sources. The City of North Royalton continually examines expenditures to reduce where possible and gain efficiencies as well. The Administration continues to review all programs to determine the most efficient use of funds and resources, in order to maintain the high level of service to the residents.

On behalf of the City of North Royalton, we personally thank the Auditor of State's Local Government Services division for their involvement and support for putting together the basic financial statements.

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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**Contacting the City of North Royalton's Finance Department**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Jenny Esarey, Director of Finance, 14600 State Road, North Royalton, Ohio 44133, telephone 440-582-6234, or via the City website at [www.northroyalton.org](http://www.northroyalton.org).

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## Basic Financial Statements

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**City of North Royalton, Ohio**  
*Statement of Net Position*  
December 31, 2023

	Governmental Activities	Business-Type Activities	Total *
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$26,130,674	\$10,562,152	\$36,692,826
Cash and Cash Equivalents			
In Segregated Accounts	9,525	0	9,525
Property Taxes Receivable	6,474,706	0	6,474,706
Income Taxes Receivable	6,988,358	0	6,988,358
Payments in Lieu of Taxes Receivable	606,889	0	606,889
Permissive Motor Vehicle License Taxes Receivable	13,109	0	13,109
Accounts Receivable	493,295	660,942	1,154,237
Intergovernmental Receivable	2,027,588	446,364	2,473,952
Special Assessments Receivable	276,632	0	276,632
Accrued Interest Receivable	33,285	21,660	54,945
Leases Receivable	541,500	0	541,500
Prepaid Items	417,754	72,041	489,795
Assets Held for Resale	35,300	0	35,300
Materials and Supplies Inventory	330,153	3,447	333,600
Net Pension Asset (See Note 12)	145,022	61,122	206,144
Nondepreciable Capital Assets	5,701,249	3,140,164	8,841,413
Depreciable Capital Assets, Net	64,787,818	56,937,814	121,725,632
<i>Total Assets</i>	<u>115,012,857</u>	<u>71,905,706</u>	<u>186,918,563</u>
<b>Deferred Outflow of Resources</b>			
Deferred Charge on Refunding	256,246	0	256,246
Pension	13,091,898	1,757,506	14,830,131
OPEB	1,823,631	269,156	2,089,282
<i>Total Deferred Outflows of Resources</i>	<u>15,171,775</u>	<u>2,026,662</u>	<u>17,175,659</u>
<b>Liabilities</b>			
Accounts Payable	543,949	113,825	657,774
Contracts Payable	39,788	136,029	175,817
Accrued Wages	542,881	94,256	637,137
Intergovernmental Payable	411,256	420,680	831,936
Retainage Payable	57,986	0	57,986
Accrued Interest Payable	40,300	4,658	44,958
Deposits Held and Due to Others	721,480	0	721,480
Long-Term Liabilities:			
Due Within One Year	2,223,570	1,181,941	3,405,511
Due In More Than One Year			
Net Pension Liability (See Note 12)	33,553,419	3,963,539	37,516,958
Net OPEB Liability (See Note 13)	2,015,762	86,708	2,102,470
Other Amounts	15,730,861	14,308,079	30,038,940
<i>Total Liabilities</i>	<u>55,881,252</u>	<u>20,309,715</u>	<u>76,190,967</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	6,262,542	0	6,262,542
Payments in Lieu of Taxes	605,694	0	605,694
Leases	541,500	0	541,500
Pension	1,206,423	19,387	1,206,537
OPEB	2,073,710	28,598	2,098,803
<i>Total Deferred Inflows of Resources</i>	<u>10,689,869</u>	<u>47,985</u>	<u>10,715,076</u>
<b>Net Position</b>			
Net Investment in Capital Assets	55,071,820	43,108,744	98,180,564
Restricted for:			
Capital Projects	653,396	0	653,396
Debt Service	708,303	0	708,303
Police and Fire	1,983,109	0	1,983,109
Streets and Highways	6,102,907	0	6,102,907
Pension Plans	145,022	61,122	206,144
Other Purposes	791,954	0	791,954
Unrestricted (Deficit)	<u>(1,843,000)</u>	<u>10,404,802</u>	<u>8,561,802</u>
<i>Total Net Position</i>	<u>\$63,613,511</u>	<u>\$53,574,668</u>	<u>\$117,188,179</u>

\* After Deferred Outflows and Inflows of Resources related to the change in internal proportionate share of pension-related and OPEB-related items have been eliminated.

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$4,455,376	\$325,696	\$58,747	\$0
Security of Persons and Property:	17,940,518	1,926,740	\$410,430	0
Public Health Services	358,252	131,596	0	0
Transportation	7,527,693	54,942	2,339,388	118,608
Community Environment	1,156,951	56,857	6,000	0
Basic Utility Services	1,831,120	149,048	0	192,423
Leisure Time Activities	1,337,850	221,875	0	27,000
Interest	475,494	0	0	0
<i>Total Governmental Activities</i>	35,083,254	2,866,754	2,814,565	338,031
<b>Business-Type Activities:</b>				
Sanitary Sewer	9,306,948	8,381,748	0	33,990
<i>Total</i>	<u>\$44,390,202</u>	<u>\$11,248,502</u>	<u>\$2,814,565</u>	<u>\$372,021</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Police and Fire

Municipal Income Taxes Levied for:

General Purposes

Police Facility

Street Maintenance

Other Purposes

Grants and Entitlements not Restricted  
to Specific Programs

Gain on Sale of Capital Asset

Payment in Lieu of Taxes

Permissive Motor Vehicle License Taxes

Investment Earnings/Interest

Unrestricted Contributions

Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Position

*Net Position Beginning of Year -  
Restated (See Note 18)*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$4,070,933)	\$0	(\$4,070,933)
(15,603,348)	0	(15,603,348)
(226,656)	0	(226,656)
(5,014,755)	0	(5,014,755)
(1,094,094)	0	(1,094,094)
(1,489,649)	0	(1,489,649)
(1,088,975)	0	(1,088,975)
(475,494)	0	(475,494)
(29,063,904)	0	(29,063,904)
0	(891,210)	(891,210)
(29,063,904)	(891,210)	(29,955,114)
1,419,049	0	1,419,049
378,408	0	378,408
4,500,370	0	4,500,370
18,760,535	0	18,760,535
178,775	0	178,775
3,319,531	0	3,319,531
156,429	0	156,429
856,591	0	856,591
43,212	43,012	86,224
472,909	0	472,909
162,012	0	162,012
600,912	412,296	1,013,208
1,708	0	1,708
841,813	63,401	905,214
31,692,254	518,709	32,210,963
(75,208)	75,208	0
31,617,046	593,917	32,210,963
2,553,142	(297,293)	2,255,849
61,060,369	53,871,961	114,932,330
<u>\$63,613,511</u>	<u>\$53,574,668</u>	<u>\$117,188,179</u>

**City of North Royalton, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2023*

	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$13,941,626	\$3,574,804	\$735,480	\$7,869,837	\$26,121,747
Cash and Cash Equivalents In Segregated Accounts	9,410	0	0	115	9,525
Receivables:					
Property Taxes	1,463,880	0	1,831,356	3,179,470	6,474,706
Income Taxes	5,790,171	1,083,892	0	114,295	6,988,358
Payments in Lieu of Taxes	0	0	0	606,889	606,889
Permissive Motor Vehicle License Taxes	0	0	0	13,109	13,109
Accounts	54,832	2,325	6,130	430,008	493,295
Interfund	84,075	0	0	0	84,075
Intergovernmental	425,194	1,039,415	18,495	544,484	2,027,588
Special Assessments	0	0	0	276,632	276,632
Accrued Interest	26,802	0	0	6,483	33,285
Leases	0	0	0	541,500	541,500
Assets Held for Resale	35,300	0	0	0	35,300
Materials and Supplies Inventory	35,571	294,582	0	0	330,153
Prepaid Items	308,695	42,080	34,733	32,246	417,754
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	8,927	0	0	0	8,927
<b>Total Assets</b>	<b>\$22,184,483</b>	<b>\$6,037,098</b>	<b>\$2,626,194</b>	<b>\$13,615,068</b>	<b>\$44,462,843</b>
<b>Liabilities</b>					
Accounts Payable	\$248,889	\$275,243	\$6,881	\$12,936	\$543,949
Contracts Payable	16,886	300	0	22,602	39,788
Accrued Wages	299,781	60,134	146,287	36,679	542,881
Intergovernmental Payable	152,059	25,556	0	233,641	411,256
Interfund Payable	0	0	0	84,075	84,075
Retainage Payable	0	0	0	57,986	57,986
Deposits Held and Due to Others	721,480	0	0	0	721,480
<b>Total Liabilities</b>	<b>1,439,095</b>	<b>361,233</b>	<b>153,168</b>	<b>447,919</b>	<b>2,401,415</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,414,885	0	1,775,816	3,071,841	6,262,542
Payments in Lieu of Taxes	0	0	0	605,694	605,694
Leases	0	0	0	541,500	541,500
Unavailable Revenue	3,260,880	1,190,630	75,945	1,096,990	5,624,445
<b>Total Deferred Inflows of Resources</b>	<b>4,675,765</b>	<b>1,190,630</b>	<b>1,851,761</b>	<b>5,316,025</b>	<b>13,034,181</b>
<b>Fund Balances</b>					
Nonspendable	388,493	336,662	34,733	32,246	792,134
Restricted	0	4,148,573	586,532	4,032,740	8,767,845
Committed	735,303	0	0	3,778,058	4,513,361
Assigned	843,680	0	0	8,080	851,760
Unassigned	14,102,147	0	0	0	14,102,147
<b>Total Fund Balances</b>	<b>16,069,623</b>	<b>4,485,235</b>	<b>621,265</b>	<b>7,851,124</b>	<b>29,027,247</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$22,184,483</b>	<b>\$6,037,098</b>	<b>\$2,626,194</b>	<b>\$13,615,068</b>	<b>\$44,462,843</b>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2023*

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**Total Governmental Fund Balances** \$29,027,247

*Amounts reported for governmental activities in the  
statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 70,489,067

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	212,164
Municipal Income Taxes	3,481,480
Charges for Services	168,765
Special Assessments	276,632
Fines, Forfeitures and Settlements	97,741
Cable Franchise Fees	49,484
Intergovernmental	1,307,004
Investment Earnings/Interest	16,141
Delinquent Payments in Lieu of Taxes	1,195
Other	<u>13,839</u>

Total 5,624,445

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (40,300)

The net pension asset, the net pension liability and the net OPEB liability are not due and payable in the current period; therefore, the liability and related related deferred inflows/outflows are not reported in governmental funds:

Net Pension Asset	145,022
Deferred Outflows - Pension	13,091,898
Net Pension Liability	(33,553,419)
Deferred Inflows - Pension	(1,206,423)
Deferred Outflows - OPEB	1,823,631
Net OPEB Liability	(2,015,762)
Deferred Inflows - OPEB	<u>(2,073,710)</u>

Total (23,788,763)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Police and Fire Pension Loan	(71,488)
Claims Payable	(69,517)
General Obligation Bonds	(13,871,935)
Special Assessment Bonds	(282,613)
OPWC Loan	(1,059,339)
Financed Purchases	(348,468)
Deferred Charge on Refunding	256,246
Compensated Absences	<u>(2,251,071)</u>

Total (17,698,185)

*Net Position of Governmental Activities* \$63,613,511

See accompanying notes to the basic financial statements



**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2023*

	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,438,390	\$0	\$1,811,961	\$3,128,920	\$6,379,271
Municipal Income Taxes	18,455,624	3,240,201	0	378,290	22,074,115
Permissive Motor Vehicle License Taxes	0	0	0	162,012	162,012
Charges for Services	113,315	0	0	1,377,445	1,490,760
Special Assessments	0	0	0	124,645	124,645
Fees, Licenses and Permits	333,462	0	0	5,498	338,960
Fines, Forfeitures and Settlements	233,618	0	0	150,345	383,963
Cable Franchise Fees	180,023	0	0	147,294	327,317
Intergovernmental	839,867	2,058,249	28,551	887,909	3,814,576
Investment Earnings/Interest	513,011	0	0	88,467	601,478
Contributions and Donations	1,708	0	0	0	1,708
Lease Revenue	0	0	0	105,998	105,998
Payments in Lieu of Taxes	0	0	0	471,714	471,714
Other	377,200	19,318	6,259	425,197	827,974
<i>Total Revenues</i>	<u>22,486,218</u>	<u>5,317,768</u>	<u>1,846,771</u>	<u>7,453,734</u>	<u>37,104,491</u>
<b>Expenditures</b>					
Current:					
General Government	4,115,786	0	0	71,378	4,187,164
Security of Persons and Property	6,987,120	0	3,658,685	5,169,158	15,814,963
Public Health Services	233,474	0	0	98,746	332,220
Transportation	152,077	4,095,290	0	307,208	4,554,575
Community Environment	1,075,500	0	0	6,000	1,081,500
Basic Utility Services	1,732,095	0	0	111,230	1,843,325
Leisure Time Activities	1,077,232	0	0	38,198	1,115,430
Capital Outlay	0	0	0	1,625,469	1,625,469
Debt Service:					
Principal Retirement	140,875	0	0	1,610,116	1,750,991
Interest	5,855	0	0	507,610	513,465
<i>Total Expenditures</i>	<u>15,520,014</u>	<u>4,095,290</u>	<u>3,658,685</u>	<u>9,545,113</u>	<u>32,819,102</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,966,204</u>	<u>1,222,478</u>	<u>(1,811,914)</u>	<u>(2,091,379)</u>	<u>4,285,389</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	7,222	0	0	45,748	52,970
Transfers In	0	0	2,000,000	4,120,085	6,120,085
Transfers Out	(5,313,950)	0	0	(881,343)	(6,195,293)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,306,728)</u>	<u>0</u>	<u>2,000,000</u>	<u>3,284,490</u>	<u>(22,238)</u>
<i>Net Change in Fund Balances</i>	1,659,476	1,222,478	188,086	1,193,111	4,263,151
<i>Fund Balances Beginning of Year</i>	<u>14,410,147</u>	<u>3,262,757</u>	<u>433,179</u>	<u>6,658,013</u>	<u>24,764,096</u>
<i>Fund Balances End of Year</i>	<u>\$16,069,623</u>	<u>\$4,485,235</u>	<u>\$621,265</u>	<u>\$7,851,124</u>	<u>\$29,027,247</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2023*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$4,263,151</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Capital Asset Additions	2,521,833
Current Year Depreciation	<u>(4,494,654)</u>
Total	(1,972,821)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(9,881)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	(81,444)
Municipal Income Taxes	341,155
Charges for Services	72,531
Special Assessments	(49,881)
Fines, Forfeitures and Settlements	97,741
Cable Franchise Fees	49,484
Intergovernmental	119,847
Investment Earnings/Interest	(566)
Delinquent Payments in Lieu of Taxes	1,195
Other	<u>13,839</u>
Total	563,901
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	2,279,314
OPEB	<u>47,852</u>
Total	2,327,166
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset and liabilities are reported as pension expense in the statement of activities.	
Pension	(4,704,770)
OPEB	<u>270,968</u>
Total	(4,433,802)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	1,750,991
Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Accrued Interest	4,560
Amortization of Bond Premium	91,047
Amortization of Deferred Charge on Refunding	<u>(57,636)</u>
Total	37,971
Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated Absences	(88,179)
Claims	<u>114,645</u>
Total	<u>26,466</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$2,553,142</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,402,050	\$1,402,050	\$1,438,390	\$36,340
Municipal Income Taxes	17,850,000	18,902,425	18,123,004	(779,421)
Charges for Services	155,800	155,800	115,899	(39,901)
Fees, Licenses and Permits	393,785	393,785	333,462	(60,323)
Fines, Forfeitures and Settlements	276,500	276,500	246,008	(30,492)
Cable Franchise Fees	80,000	80,000	77,273	(2,727)
Intergovernmental	778,174	778,174	853,467	75,293
Interest	50,000	50,000	370,618	320,618
Contributions and Donations	2,500	2,500	1,708	(792)
Other	347,500	361,725	294,840	(66,885)
<i>Total Revenues</i>	21,336,309	22,402,959	21,854,669	(548,290)
<b>Expenditures</b>				
Current:				
General Government	3,765,105	3,910,000	3,456,814	453,186
Security of Persons and Property	8,648,617	8,300,702	7,171,612	1,129,090
Public Health Services	265,370	274,735	234,604	40,131
Transportation	159,301	159,301	85,180	74,121
Community Environment	1,455,200	1,478,200	1,084,858	393,342
Basic Utility Services	1,885,906	1,925,906	1,925,906	0
Leisure Time Activities	1,064,268	1,259,123	1,084,582	174,541
Debt Service:				
Principal Retirement	141,000	141,000	140,875	125
Interest	6,000	6,000	5,855	145
<i>Total Expenditures</i>	17,390,767	17,454,967	15,190,286	2,264,681
<i>Excess of Revenues Over (Under) Expenditures</i>	3,945,542	4,947,992	6,664,383	1,716,391
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	7,222	7,222
Advances In	0	307,075	0	(307,075)
Advances Out	0	(307,075)	(84,075)	223,000
Transfers In	0	18,046	4,348	(13,698)
Transfers Out	(4,627,050)	(5,811,810)	(5,414,760)	397,050
<i>Total Other Financing Sources (Uses)</i>	(4,627,050)	(5,793,764)	(5,487,265)	306,499
<i>Net Change in Fund Balance</i>	(681,508)	(845,772)	1,177,118	2,022,890
<i>Fund Balance Beginning of Year</i>	10,205,374	10,205,374	10,205,374	0
Prior Year Encumbrances Appropriated	579,401	579,401	579,401	0
<i>Fund Balance End of Year</i>	\$10,103,267	\$9,939,003	\$11,961,893	\$2,022,890

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Construction, Maintenance and Repair Fund*  
*For the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Municipal Income Taxes	\$3,000,000	\$3,190,000	\$3,260,608	\$70,608
Charges for Services	10,000	10,000	0	(10,000)
Intergovernmental	2,570,397	2,070,397	1,985,758	(84,639)
Interest	5,000	5,000	0	(5,000)
Other	20,000	20,000	16,444	(3,556)
<i>Total Revenues</i>	<i>5,605,397</i>	<i>5,295,397</i>	<i>5,262,810</i>	<i>(32,587)</i>
<b>Expenditures</b>				
Current:				
Transportation	6,098,550	5,795,650	4,952,690	842,960
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(493,153)</i>	<i>(500,253)</i>	<i>310,120</i>	<i>810,373</i>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	20,000	27,100	27,100	0
<i>Net Change in Fund Balance</i>	<i>(473,153)</i>	<i>(473,153)</i>	<i>337,220</i>	<i>810,373</i>
<i>Fund Balance Beginning of Year</i>	<i>1,626,695</i>	<i>1,626,695</i>	<i>1,626,695</i>	<i>0</i>
Prior Year Encumbrances Appropriated	930,035	930,035	930,035	0
<i>Fund Balance End of Year</i>	<u><u><i>\$2,083,577</i></u></u>	<u><u><i>\$2,083,577</i></u></u>	<u><u><i>\$2,893,950</i></u></u>	<u><u><i>\$810,373</i></u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*EMS Levy Fund*  
*For the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$1,821,994	\$1,821,994	\$1,811,961	(\$10,033)
Intergovernmental	23,225	23,225	28,551	5,326
Other	1,000	1,000	6,080	5,080
<i>Total Revenues</i>	1,846,219	1,846,219	1,846,592	373
<b>Expenditures</b>				
Current:				
Security of Persons and Property	4,208,263	4,208,263	3,651,506	556,757
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,362,044)	(2,362,044)	(1,804,914)	557,130
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,320,000	2,270,000	2,000,000	(270,000)
<i>Net Change in Fund Balance</i>	(42,044)	(92,044)	195,086	287,130
<i>Fund Balance Beginning of Year</i>	481,107	481,107	481,107	0
Prior Year Encumbrances Appropriated	48,613	48,613	48,613	0
<i>Fund Balance End of Year</i>	<u>\$487,676</u>	<u>\$437,676</u>	<u>\$724,806</u>	<u>\$287,130</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**

*Statement of Fund Net Position*

*Enterprise Fund*

*December 31, 2023*

	Sanitary Sewer
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$10,562,152
Accrued Interest Receivable	21,660
Accounts Receivable	660,942
Materials and Supplies Inventory	3,447
Prepaid Items	72,041
Intergovernmental Receivable	136,364
<i>Total Current Assets</i>	<u>11,456,606</u>
<i>Noncurrent Assets:</i>	
Intergovernmental Receivable	310,000
<i>Restricted Assets:</i>	
Net Pension Asset	61,122
Nondepreciable Capital Assets	3,140,164
Depreciable Capital Assets, Net	56,937,814
<i>Total Noncurrent Assets</i>	<u>60,449,100</u>
<i>Total Assets</i>	<u>71,905,706</u>
<b>Deferred Outflows of Resources</b>	
Pension	1,757,506
OPEB	269,156
<i>Total Deferred Outflows of Resources</i>	<u>2,026,662</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	113,825
Contracts Payable	136,029
Accrued Wages	94,256
Intergovernmental Payable	420,680
Accrued Interest Payable	4,658
General Obligation Bonds Payable	470,000
OWDA Loans Payable	611,559
Compensated Absences Payable	100,382
<i>Total Current Liabilities</i>	<u>1,951,389</u>
<i>Long-Term Liabilities (net of current portion):</i>	
General Obligation Bonds Payable	1,250,000
OWDA Loans Payable	12,694,786
Net Pension Liability	3,963,539
Net OPEB Liability	86,708
Compensated Absences Payable	363,293
<i>Total Long-Term Liabilities</i>	<u>18,358,326</u>
<i>Total Liabilities</i>	<u>20,309,715</u>
<b>Deferred Inflows of Resources</b>	
Pension	19,387
OPEB	28,598
<i>Total Deferred Outflows of Resources</i>	<u>47,985</u>
<b>Net Position</b>	
Net Investment in Capital Assets	43,108,744
Restricted for Pension Plans	61,122
Unrestricted	10,404,802
<i>Total Net Position</i>	<u>\$53,574,668</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Fund  
For the Year Ended December 31, 2023*

	Sanitary Sewer
<b>Operating Revenues</b>	
Charges for Services	\$8,381,748
Other	63,401
	<u>8,445,149</u>
<b>Operating Expenses</b>	
Personal Services	3,335,607
Materials and Supplies	769,786
Contractual Services	2,465,153
Depreciation	2,458,740
	<u>9,029,286</u>
<i>Total Operating Revenues</i>	<u>8,445,149</u>
<i>Total Operating Expenses</i>	<u>9,029,286</u>
<i>Operating Income (Loss)</i>	<u>(584,137)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Earnings/Interest	412,296
Interest	(274,720)
Gain on Sale of Fixed Assets	43,012
Loss on Disposal of Capital Assets	(2,942)
	<u>177,646</u>
<i>Total Non-Operating Revenue (Expenses)</i>	<u>177,646</u>
<i>Income (Loss) before Capital Contributions and Transfers</i>	<u>(406,491)</u>
Capital Contributions	112,334
Transfers Out	(3,136)
	<u>(297,293)</u>
<i>Change in Net Position</i>	<u>(297,293)</u>
<i>Net Position Beginning of Year - Restated (See Note 18)</i>	<u>53,871,961</u>
<i>Net Position End of Year</i>	<u><u>\$53,574,668</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
For the Year Ended December 31, 2023

	Sanitary Sewer
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$8,308,339
Other Cash Receipts	68,545
Cash Payments to Employees for Services	(3,115,699)
Cash Payments for Goods and Services	(3,503,900)
<i>Net Cash Provided by (Used for) Operating Activities</i>	1,757,285
<b>Cash Flows from Noncapital Financing Activities</b>	
<b>Financing Activities</b>	
Transfers Out	(3,136)
<b>Cash Flows from Capital and Related Financing Activities</b>	
OWDA Loan Proceeds	1,389,784
Proceeds from Sale of Capital Assets	128,500
Principal Paid on General Obligation Bonds	(375,000)
Interest Paid on General Obligation Bonds	(68,087)
Principal Paid on OWDA Loans	(733,499)
Interest Paid on OWDA Loans	(207,649)
Payments for Capital Acquisitions	(1,781,746)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	(1,647,697)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	413,157
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	519,609
<i>Cash and Cash Equivalents Beginning of Year</i>	10,042,543
<i>Cash and Cash Equivalents End of Year</i>	\$10,562,152

(continued)



**City of North Royalton, Ohio**  
*Statement of Cash Flows (continued)*  
*Enterprise Fund*  
*For the Year Ended December 31, 2023*

	Sanitary Sewer
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	(\$584,137)
Adjustments:	
Depreciation	2,458,740
<i>(Increase) Decrease in Assets and Deferred Outflows:</i>	
Accounts Receivable	(43,391)
Intergovernmental Receivable	(24,874)
Materials and Supplies Inventory	1,389
Prepaid Items	(20,642)
Net Pension Asset	5,342
Deferred Outflows - Pension	866,772
Deferred Outflows - OPEB	171,755
<i>Increase (Decrease) in Liabilities and Deferred Inflows:</i>	
Accounts Payable	(163,190)
Contracts Payable	(141,392)
Accrued Wages	(5,111)
Compensated Absences Payable	(5,015)
Intergovernmental Payable	34,856
Net Pension Liability	124,240
Net OPEB Liability	(1,059)
Deferred Inflows - Pension	(582,634)
Deferred Inflows - OPEB	(334,364)
<i>Total Adjustments</i>	2,341,422
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$1,757,285

**Noncash Capital and Related Financing Activities**

At December 31, 2022, the City had contracts and retainage payable related to the acquisition of capital assets of \$53,664 and \$256,515, respectively.

At December 31, 2023, the City had contracts payable related to the acquisition of capital assets of \$135,949.

During 2023, Sanitary Sewer assets of \$78,344 paid for with capital projects funds were transferred from governmental activities to business-type activities. This is included in capital contributions.

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Funds*  
*For the Year Ended December 31, 2023*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$312
Cash and Cash Equivalents in Segregated Accounts	<u>3,799</u>
<i>Total Assets</i>	4,111
<b>Liabilities</b>	
Intergovernmental Payable	<u>3,799</u>
<b>Net Position</b>	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$312</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*For the Year Ended December 31, 2023*

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<b>Additions</b>	
Fees, Licenses and Permits for Other Governments	\$3,413
Fines, Forfeitures and Settlements for Other Governments	<u>63,084</u>
<i>Total Additions</i>	<u>66,497</u>
<b>Deductions</b>	
Fees, Licenses and Permits Distributions to Other Governments	6,436
Fines, Forfeitures and Settlements Distributions to Other Governments	<u>63,084</u>
<i>Total Deductions</i>	<u>69,520</u>
<i>Change in Fiduciary Net Position</i>	(3,023)
<i>Net Position Beginning of Year</i>	<u>3,335</u>
<i>Net Position End of Year</i>	<u><u>\$312</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 1 - Description of the City and Reporting Entity**

The City of North Royalton (the “City”) is a home rule municipal corporation established under the laws of the State of Ohio, which operates under its own Charter. The current Charter, which provides for a mayor/council form of government, was adopted January 1, 1952. Elected officials include seven council members and a mayor.

***Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of North Royalton, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, parks and recreation, planning and zoning, street maintenance and repair and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or levying of taxes. The City has no component units.

The City participates in the Southwest Council of Governments, Northeast Ohio Public Energy Council, Regional Income Tax Agency, Southwest Regional Communications and Parma Community General Hospital as jointly governed organizations. Additional information is included in Note 14.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

***Basis of Presentation***

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of the governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Fund*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and governmental fund liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts and reports for all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of North Royalton and/or the general laws of Ohio.

***Street Construction, Maintenance and Repair Special Revenue Fund*** The street construction maintenance and repair fund accounts for and reports State gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the City as required by the Ohio Revised Code. Additionally, per the codified ordinances of the City, the fund receives a portion of income tax revenue for the same purpose.

***EMS Levy Special Revenue Fund*** The EMS levy fund accounts for and reports restricted property taxes levied to pay a portion of the salaries of the City's fire and emergency medical services.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City only has enterprise funds.

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

**Sanitary Sewer Fund** The sanitary sewer fund accounts for the activities of the City's sanitary sewer utility.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds are custodial funds. The custodial funds are used for the building code fees due to other governments and for the Mayor's Court distributions to other governments.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

**Reclassifications** Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, fines and forfeitures, grants and fees.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements 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/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for the deferred charges on refundings, pension and OPEB. The deferred outflows of resources related to a deferred charge on refunding results from the difference in the carrying value of the 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 12 and 13.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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In addition to liabilities, the statements of financial position report 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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, leases, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there are an enforceable legal claim as of December 31, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systemic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services, special assessments, fines, forfeitures and settlements, cable franchise fees, delinquent payments in lieu of taxes, investment earnings/interest, other and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 12 and 13)

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized when they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

***Pensions/Other Postemployment Benefits (OPEB)***

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

***Budgetary Process***

All funds, except custodial funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control has been established by City Council at the major object level of expenditures by department for all funds pursuant to Ohio Revised Code Section 5705.38(C). Budgetary modifications may only be made by ordinance of the City Council at the legal level of control. The Finance Director has been authorized to allocate appropriations within expenditure categories as appropriated by Council.



**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended official certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources plus carryover balances. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

During 2023, investments were limited to US Treasury obligations, money market account, negotiable certificates of deposits and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for STAR Ohio, investments are reported at fair value which is based on quoted market prices. The fair value of the money market fund is determined by the fund's current share price.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2023 amounted to \$513,011 which includes \$135,404 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies. Restricted assets in the sanitary sewer enterprise fund represent amounts held in trust by the pension plan for future benefits.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are valued at their acquisition values as of the date received. The City maintains a capitalization threshold of ten thousand dollars and a salvage value of five percent of the historical cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Depreciation for governmental and business-type capital assets is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Land Improvements	20 years
Furniture, Fixtures and Equipment	10-15 years
Vehicles	3-20 years
Infrastructure	20-50 years

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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The City's infrastructure consists of roads, sidewalks, traffic signals, bridges and culverts, sewer lines and storm sewers.

***Interfund Balances***

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes property acquired for resale, unless the use of the proceeds from the sale of those properties is restricted, committed or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council also assigned fund balance to cover a gap between estimated resources and appropriations in 2024’s budget.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Deferred Charge on Refunding***

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are charges for services for sanitary sewer collection. Operating expenses are necessary costs incurred to provide the service for the primary activities of the funds. Revenues and expenses not meeting these definitions are reported as nonoperating.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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Restricted net position for pension plans represents the corresponding restricted asset amounts held in trust by the pension plan for future benefits. Net position restricted for other purposes include resources restricted for computerization of the mayor's court, community development, leisure time programs, public health services and unclaimed monies. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of resources restricted to capital acquisition and construction.

***Asset Held for Resale***

Assets received by the City that are intended to be sold off and not used as a part of the City's operations are to be reported as held for resale.

***Leases***

The City serves as lessor in various noncancellable leases. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations, and changes in fund balance/net position on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Investments are reported at cost (budget) rather than at fair value (GAAP).

**City of North Royalton, Ohio**  
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5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
7. Budgetary revenues and expenditures of the city income tax, improvement holdings, building construction, unclaimed monies and accrued balances funds are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue funds.

	Net Change in Fund Balances		
	General	Street Construction, Maintenance and Repair	EMS Levy
GAAP Basis	\$1,659,476	\$1,222,478	\$188,086
Net Adjustment for Revenue Accruals	463,326	(27,858)	(179)
Perspective Difference:			
City Income Tax	(91,338)	0	0
Improvement Holdings	27,752	0	0
Building Construction	112,234	0	0
Accrued Balances	(79,192)	0	0
Beginning Change in Fair Value of Investments	(119,440)	0	0
Ending Change in Fair Value of Investments	(10,021)	0	0
Beginning Unrecorded Cash	20,952	0	0
Ending Unrecorded Cash	(9,410)	0	0
Net Adjustment for Expenditure Accruals	(93,710)	(176,546)	17,853
Advances Out	(84,075)	0	0
Adjustments for Encumbrances	(619,436)	(680,854)	(10,674)
Budget Basis	<u>\$1,177,118</u>	<u>\$337,220</u>	<u>\$195,086</u>

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

**City of North Royalton, Ohio**  
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Fund Balances	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total
<u>Nonspendable:</u>					
Inventory	\$35,571	\$294,582	\$0	\$0	\$330,153
Prepays	308,695	42,080	34,733	32,246	417,754
Asset Held for Resale	35,300	0	0	0	35,300
Unclaimed Monies	8,927	0	0	0	8,927
<i>Total Nonspendable</i>	<u>388,493</u>	<u>336,662</u>	<u>34,733</u>	<u>32,246</u>	<u>792,134</u>
<u>Restricted for:</u>					
Police Department	0	0	0	1,113,986	1,113,986
Fire and EMS Department	0	0	586,532	240,975	827,507
Enforcement and Education	0	0	0	484,991	484,991
Street Maintenance	0	4,148,573	0	619,729	4,768,302
Recycling	0	0	0	6,518	6,518
Aging	0	0	0	14,405	14,405
Public Health	0	0	0	44,820	44,820
Opioid Settlement	0	0	0	23,965	23,965
General Government	0	0	0	99,247	99,247
Community Development	0	0	0	29,945	29,945
Leisure Time Activities	0	0	0	156,048	156,048
Debt Service	0	0	0	632,286	632,286
Capital Improvements	0	0	0	565,825	565,825
<i>Total Restricted</i>	<u>0</u>	<u>4,148,573</u>	<u>586,532</u>	<u>4,032,740</u>	<u>8,767,845</u>
<u>Committed to:</u>					
CAD Services	42,886	0	0	0	42,886
Storefront Grant Programs	28,950	0	0	0	28,950
Landfill Contract	66,357	0	0	0	66,357
Engineering Services	7,710	0	0	0	7,710
Aging	0	0	0	389,734	389,734
Capital Improvements	0	0	0	3,388,324	3,388,324
Accrued Balances	589,400	0	0	0	589,400
<i>Total Committed</i>	<u>735,303</u>	<u>0</u>	<u>0</u>	<u>3,778,058</u>	<u>4,513,361</u>
<u>Assigned to:</u>					
Purchases on Order:					
General Government	73,233	0	0	0	73,233
Security of Persons and Property	150,035	0	0	0	150,035
Public Health Services	914	0	0	0	914
Transportation	373	0	0	0	373
Community Environment	197,542	0	0	0	197,542
Leisure Time Activities	29,868	0	0	0	29,868
Capital Improvements	0	0	0	8,080	8,080
2024 Operations	391,715	0	0	0	391,715
<i>Total Assigned</i>	<u>843,680</u>	<u>0</u>	<u>0</u>	<u>8,080</u>	<u>851,760</u>
Unassigned	14,102,147	0	0	0	14,102,147
<b>Total Fund Balances</b>	<u><u>\$16,069,623</u></u>	<u><u>\$4,485,235</u></u>	<u><u>\$621,265</u></u>	<u><u>\$7,851,124</u></u>	<u><u>\$29,027,247</u></u>



**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five 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.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

**City of North Royalton, Ohio**  
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8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2023, \$69,069 of the City's total bank balance of \$15,394,064 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions negotiated a reduced collateral floor of 60 percent with the Ohio Pooled Collateral System (OPCS) resulting in the uninsured and uncollateralized balance.

The City has a deposit policy for custodial risk in conjunction with the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**City of North Royalton, Ohio**  
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For the Year Ended December 31, 2023

**Investments**

As of December 31, 2023, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's	Percent of Total Investments
Net Asset Value (NAV) Per Share:				
STAR Ohio	\$7,967,813	Average 46.4 Days	Aaa	N/A
Fair Value - Level One Inputs:				
Money Market Account	849,307	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
U.S. Treasury Notes	5,323,511	Less than one year	Aaa	24.48%
U.S. Treasury Notes	6,641,025	Less than two years	Aaa	30.54%
Negotiable Certificates of Deposit	965,921	Less than one year	N/A	N/A
Total Portfolio	<u>\$21,747,577</u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2023. The money market account is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payment, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature within five years.

**Credit Risk** All investments carry a rating of Aaa by Moody's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization. The negotiable certificates of deposit are unrated. The City's investment policy requires that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer.

**Concentration of Credit Risk** The City's investment policy requires diversification of the portfolio but does not indicate specific percentages.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 6 - Receivables**

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, permissive motor vehicle license taxes, leases, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest, and accounts (billings for user charged services and Opioid settlement monies).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes, payments in lieu of taxes, a portion of enterprise intergovernmental, and special assessments are expected to be received within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Intergovernmental receivables expected to be collected in more than one year amount to \$310,000 in the sanitary sewer enterprise fund.

Special assessments expected to be collected in more than one year amount to \$245,595 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$12,989.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes were levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was \$8.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2023 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$888,133,220
Commercial Industrial/PU	155,509,820
Public Utility Property	<u>31,328,230</u>
Total Assessed Value	<u><u>\$1,074,971,270</u></u>

**City of North Royalton, Ohio**  
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The Cuyahoga County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2023, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2023 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Income Tax***

The City levies a municipal income tax of 2.00 percent on substantially all earned income from employment, residency, or business activities within the City. The City allows a credit of 100 percent up to 1.25 percent of income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly.

Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, the first one (1) percent of income tax collections are credited to the following funds: \$200,000 per year to the Police Facility Operations Fund, \$175,000 to the Office on Aging Fund, and six percent to the City Income tax Fund. The remaining balance is credited to the General Fund. The additional one percent revenue earned on the increased tax rate is credited to the following funds: at least 40 percent to the General Fund, up to 40 percent to the Street Construction, Maintenance, and Repair Fund, and up to 20 percent to the Storm Water and Drainage Fund. The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.06 percent.

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	Amounts		Amounts
<b>Governmental:</b>		<b>Business-type:</b>	
Gasoline Tax	\$896,938	Sale of Property	\$387,500
Homestead and Rollback	300,712	Governmental Reimbursements	36,783
Local Government	271,184	Charges for Services	22,081
Motor Vehicle License Registration	164,398	Total Business-Type	446,364
Route 82 Widening	121,743		
Sprague Road	78,401	Total	\$2,473,952
Miscellaneous	78,320		
Ohio Department of Transportation	58,195		
Charges for Services	33,180		
FEMA Grant	13,538		
Drug Task Force	8,058		
Court	2,921		
Total Governmental	\$2,027,588		

**City of North Royalton, Ohio**  
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***Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$98,458 as an accounts receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$11,183 expected to be received in 2024.

***Leases Receivable***

The City is reporting leases receivable of \$541,500 in other governmental funds at December 31, 2023. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2023, the City recognized lease revenue of \$77,654, \$19,541 and \$8,803 and interest revenue of \$13,353, \$5,839 and \$1,697 in the YMCA special revenue fund and the future capital improvement and YMCA capital reserve capital projects funds, respectively, related to lease payments received. These lease revenue amounts exclude short-term leases. A description of the City's leasing arrangements is as follows:

On November 1, 1994, the City entered into a lease agreement with Northern Ohio Cellular Telephone Company for the right-to-use cell phone tower equipment. The agreement is for 35 years, which will terminate on November 1, 2029.

On January 1, 2023, the City entered into a lease agreement with the Parma Community General Hospital Association for the right-to-use building space. The agreement is for five years, which will terminate on December 31, 2027.

A summary of future lease amounts receivable is as follows:

Year	YMCA		Future Capital Improvements		YMCA Capital Reserve	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$80,417	\$10,591	\$20,181	\$5,199	\$9,116	\$1,384
2025	83,277	7,731	25,920	4,537	9,440	1,060
2026	86,239	4,769	26,770	3,687	13,324	668
2027	89,306	1,702	27,648	2,809	11,816	194
2028	0	0	28,554	1,903	0	0
2029	0	0	29,492	967	0	0
	<u>\$339,239</u>	<u>\$24,793</u>	<u>\$158,565</u>	<u>\$19,102</u>	<u>\$43,696</u>	<u>\$3,306</u>

***Payments in Lieu of Taxes***

According to State law, the City has established tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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## **Note 7 - Contingencies**

### ***Grants***

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2023.

### ***Litigation***

The City is party to legal proceedings. In the opinion of management, any claims and/or lawsuits pending against the City will not have a material adverse effect on the overall financial position of the City at December 31, 2023.

## **Note 8 - Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Employees earn 10 to 30 days of vacation per year, depending upon length of service. The requirements to carryover vacation time are determined by the collective bargaining agreements and non-union ordinances of each group. Applicable earned vacation time is paid upon retirement or separation of employment from the City. Employees earn sick leave at different amounts depending upon type of employment (normal scheduled hours per bi-weekly pay). Each full-time retiree, except for full time fire, is entitled to one-half of their sick leave hours, up to a maximum of 650 hours of accumulated, unused sick leave after they have been employed with the City for 10 years. Full time fire shift personnel Firefighters are entitled to one-third of their sick leave accumulated, unused sick leave up to a maximum of 850 hours after they have been employed with the City for 10 years. Permanent part-time employees are entitled to one-half of their sick leave hours, up to a maximum of 350 hours of accumulated, unused sick leave after they have been employed with the City for 10 years.

In addition, employees of the City can accumulate compensatory time for the overtime hours worked, generally based upon time and a half of actual hours worked.

### ***Health and Life Insurance***

The City provides health insurance through United Health Care to its employees. It also provides dental, vision, life and accidental death and dismemberment insurance through MetLife.

## **Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City contracted with several companies for various types of insurance as follows:

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Company Name and Coverage	Deductible	Coverage
Travelers Insurance		
Commercial General Liability	No Deductible	\$1,000,000/\$3,000,000
Commercial Automobile Liability	No Deductible	1,000,000
Automobile Physical Damage	1,000	Actual cash value
Property Coverage	10,000	96,687,951
Electronic Data Processing	1,000	Included in property coverage
Public Officials Liability	7,500	\$1,000,000/\$2,000,000
Employee Practices Liability	10,000	\$1,000,000/\$2,000,000
Law Enforcement Liability	10,000	\$1,000,000/\$2,000,000
Crime Coverage - Employee Theft	1,000	100,000
Umbrella Liability	10,000	10,000,000
Inland Marine Coverage	1,000	4,110,754
Blanket Position Bond	1,000	100,000
Employee Benefits Liability	1,000	\$1,000,000/\$3,000,000
Ohio Stop Gap Liability	No Deductible	1,000,000
Sewer Backup	No Deductible	1,000,000
Flood/Earthquake	50,000	3,000,000
Boiler and Machinery	10,000	96,687,951
Property and Casualty Terrorism Coverage (Act of 2022)		Included in property coverage
Cyber Insurance (Effective July 1, 2023 to July 1, 2024)	15,000	1,500,000
Merchants Bonding Company		
Individual Public Employee Bonds:		
Mayor	No Deductible	50,000
Director of Finance	No Deductible	50,000
Police Chief	No Deductible	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs and is set by the Ohio Bureau of Workers' Compensation.

***Retrospective Workers' Compensation Program***

The City participates in the State Workers' Compensation group retrospective rating and payment system. The Plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. The program for workers' compensation is administered by CareWorks Consultants, Inc. Payments are made directly to the Ohio Bureau of Workers' Compensation for actual claims processed.

The claims liability of \$69,517 reported in governmental activities is based on the requirements of GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the funds claims liability amount in 2022 and 2023 were as follows:



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	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2022	\$166,575	\$82,543	\$64,956	\$184,162
2023	184,162	21,797	136,442	69,517

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2023, was as follows:

	Restated Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets</i>				
Land	\$4,586,655	\$195,577	\$0	\$4,782,232
Construction in Progress	1,560,262	961,972	(1,603,217)	919,017
<i>Total Nondepreciable Capital Assets</i>	<u>6,146,917</u>	<u>1,157,549</u>	<u>(1,603,217)</u>	<u>5,701,249</u>
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	26,628,449	469,028	0	27,097,477
Furniture, Fixtures and Equipment	3,018,186	1,127,477	(10,868)	4,134,795
Vehicles	7,447,436	501,398	(186,806)	7,762,028
Infrastructure				
Pavement and Sidewalks	89,648,407	869,598	0	90,518,005
Traffic Signals	3,091,751	0	0	3,091,751
Culverts and Bridges	3,273,470	0	0	3,273,470
<i>Total Depreciable Capital Assets</i>	<u>133,107,699</u>	<u>2,967,501</u>	<u>(197,674)</u>	<u>135,877,526</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(9,295,483)	(718,060)	0	(10,013,543)
Furniture, Fixtures and Equipment	(1,553,051)	(227,871)	10,325	(1,770,597)
Vehicles	(3,628,813)	(532,035)	177,468	(3,983,380)
Infrastructure				
Pavement and Sidewalks	(48,308,376)	(2,913,258)	0	(51,221,634)
Traffic Signals	(2,808,676)	(41,235)	0	(2,849,911)
Culverts and Bridges	(1,188,448)	(62,195)	0	(1,250,643)
<i>Total Accumulated Depreciation</i>	<u>(66,782,847)</u>	<u>(4,494,654)</u>	<u>187,793</u>	<u>(71,089,708)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>66,324,852</u>	<u>(1,527,153)</u>	<u>(9,881)</u>	<u>64,787,818</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$72,471,769</u>	<u>(\$369,604)</u>	<u>(\$1,613,098)</u>	<u>\$70,489,067</u>

**City of North Royalton, Ohio**  
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For the Year Ended December 31, 2023

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$297,561
Security of Persons and Property	553,729
Public Health Services	22,618
Transportation	3,247,785
Community Environment	23,256
Leisure Time Activities	<u>349,705</u>
<b>Total</b>	<b><u><u>\$4,494,654</u></u></b>

	<u>Restated Balance 12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/23</u>
<b>Business-Type Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$284,026	\$0	\$0	\$284,026
Construction in Progress	1,731,989	1,350,617	(226,468)	2,856,138
<i>Total Capital Assets, not being depreciated</i>	<u>2,016,015</u>	<u>1,350,617</u>	<u>(226,468)</u>	<u>3,140,164</u>
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	20,760,540	54,566	0	20,815,106
Land Improvements	16,575,026	0	0	16,575,026
Machinery and Equipment	12,324,398	202,333	0	12,526,731
Vehicles	3,098,876	0	(159,750)	2,939,126
Infrastructure				
Sewer Lines	20,466,021	304,812	(9,361)	20,761,472
Storm Sewers	36,816,529	0	0	36,816,529
<i>Total Capital Assets, being depreciated</i>	<u>110,041,390</u>	<u>561,711</u>	<u>(169,111)</u>	<u>110,433,990</u>
<b><i>Less Accumulated Depreciation:</i></b>				
Buildings and Improvements	(3,940,212)	(584,761)	0	(4,524,973)
Land Improvements	(13,387,231)	(170,887)	0	(13,558,118)
Machinery and Equipment	(9,816,594)	(288,598)	0	(10,105,192)
Vehicles	(1,797,860)	(319,051)	151,762	(1,965,149)
Infrastructure				
Sewer Lines	(8,596,751)	(395,927)	6,419	(8,986,259)
Storm Sewers	(13,656,969)	(699,516)	0	(14,356,485)
<i>Total Accumulated Depreciation</i>	<u>(51,195,617)</u>	<u>(2,458,740)</u>	<u>158,181</u>	<u>(53,496,176)</u>
Total Capital Assets being depreciated, net	<u>58,845,773</u>	<u>(1,897,029)</u>	<u>(10,930)</u>	<u>56,937,814</u>
Business-Type Activities Capital Assets, Net	<u><u>\$60,861,788</u></u>	<u><u>(\$546,412)</u></u>	<u><u>(\$237,398)</u></u>	<u><u>\$60,077,978</u></u>

**City of North Royalton, Ohio**  
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**Note 11 - Long-Term Obligations**

The original issue date, interest rate, original issuance and maturity date for each of the City's bonds, note and loans follows:

	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
<b>Governmental Activities:</b>				
<i>General Obligation Bonds</i>				
Street Improvement Bonds	2012	3.25 %	\$355,000	December 1, 2026
Various Purpose Refunding Bonds	2014	2.35	2,356,000	December 1, 2025
Various Purpose (YMCA) Bonds	2014	1.50 to 4.00	7,435,000	December 1, 2025
Refunding Bonds	2015	2.00 to 3.50	3,835,000	December 1, 2028
Roadway Bonds	2015	2.00 to 4.00	1,170,000	December 1, 2035
City Hall Bonds	2015	2.00 to 4.00	3,015,000	December 1, 2035
Refunding Bonds YMCA Project	2021	3.00 to 4.00	4,710,000	December 1, 2039
Energy Conservation Refunding Bonds	2021	3.00 to 4.00	2,380,000	December 1, 2034
Fire Engine Bonds	2021	3.00 to 4.00	690,000	December 1, 2031
<i>Special Assessment Bonds with Governmental Commitment</i>				
Industrial Park	2003	4.60	1,120,000	December 1, 2023
Edgerton Sewer	2015	2.00 to 4.00	270,000	December 1, 2035
Refunding Bonds	2015	2.00 to 3.50	145,000	December 1, 2028
<i>OPWC Loans from Direct Borrowings</i>				
Bunker/Ridgedale Waterline	2005	0.00	522,120	July 1, 2026
Bennett Road Improvements	2013	0.00	1,223,822	July 1, 2035
Sprague Road Resurfacing	2014	0.00	464,600	July 1, 2036
<b>Business-Type Activities:</b>				
<i>General Obligation Bonds</i>				
Storm Sewer Improvements	2012	3.25	5,040,000	December 1, 2026
<i>OWDA Loans from Direct Borrowings</i>				
Influent Pump Station	2018	2.06	4,493,739	July 1, 2032
Tertiary Filters and UV Replacement	2021	2.25	3,066,134	July 1, 2032
Blower Control Building	2022	1.28	6,011,782	July 1, 2044
B Pump Station Conversion	2022	1.86	2,727,532	N/A

**City of North Royalton, Ohio**  
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A schedule of changes in bonds and other long-term obligations of the City during 2023 follows:

	Amounts Outstanding 12/31/22	Additions	Reductions	Amounts Outstanding 12/31/23	Amounts Due in One Year
<i>Governmental Activities:</i>					
<i>General Obligation Bonds:</i>					
2012 Street Improvement Bonds					
Term Bonds	\$150,000	\$0	(\$25,000)	\$125,000	\$35,000
2014 Various Purpose Refunding Bonds					
Term Bonds	723,000	0	(237,000)	486,000	243,000
2014 Various Purpose (YMCA) Bonds					
Serial Bonds	435,000	0	(30,000)	405,000	30,000
2015 Refunding Bonds					
Serial Bonds	2,505,000	0	(385,000)	2,120,000	395,000
Unamortized Premium	120,769	0	(23,403)	97,366	0
2015 Roadway Bonds					
Serial Bonds	835,000	0	(50,000)	785,000	55,000
Unamortized Premium	35,113	0	(2,701)	32,412	0
2015 City Hall Bonds					
Serial Bonds	2,150,000	0	(135,000)	2,015,000	140,000
Unamortized Premium	90,416	0	(6,955)	83,461	0
2021 Refunding Bonds YMCA Project					
Serial Bonds	1,080,000	0	(200,000)	880,000	205,000
Term Bonds	3,450,000	0	0	3,450,000	0
Unamortized Premium	425,159	0	(25,010)	400,149	0
2021 Energy Conservation Refunding Bonds					
Serial Bonds	1,185,000	0	(150,000)	1,035,000	155,000
Term Bonds	1,055,000	0	0	1,055,000	0
Unamortized Premium	275,192	0	(22,932)	252,260	0
2021 Fire Engine Bonds					
Serial Bonds	475,000	0	(60,000)	415,000	65,000
Term Bonds	160,000	0	0	160,000	0
Unamortized Premium	84,698	0	(9,411)	75,287	0
<i>Total General Obligation Bonds</i>	<u>15,234,347</u>	<u>0</u>	<u>(1,362,412)</u>	<u>13,871,935</u>	<u>1,323,000</u>
<i>Special Assessment Bonds with Governmental Commitment:</i>					
2003 Industrial Park Bonds					
Term Bonds	100,000	0	(100,000)	0	0
2015 Edgerton Sewer					
Serial Bonds	200,000	0	(10,000)	190,000	15,000
Unamortized Premium	8,248	0	(635)	7,613	0
2015 Refunding Bonds					
Serial Bonds	100,000	0	(15,000)	85,000	15,000
<i>Total Special Assessment Bonds</i>	<u>\$408,248</u>	<u>\$0</u>	<u>(\$125,635)</u>	<u>\$282,613</u>	<u>\$30,000</u>

*(continued)*

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2023

	Amounts Outstanding 12/31/22	Additions	Reductions	Amounts Outstanding 12/31/23	Amounts Due in One Year
<i>Governmental Activities (continued):</i>					
<i>OPWC Loans from Direct Borrowings:</i>					
Bunker/Ridgedale Waterline	\$91,371	\$0	(\$26,106)	\$65,265	\$26,106
Bennett Road Improvements	764,890	0	(61,191)	703,699	61,191
Sprague Road Resurfacing	313,605	0	(23,230)	290,375	23,230
<i>Total OPWC Loans</i>	<u>1,169,866</u>	<u>0</u>	<u>(110,527)</u>	<u>1,059,339</u>	<u>110,527</u>
<i>Other Long-term Obligations:</i>					
<i>Net Pension Liability:</i>					
OPERS	2,682,499	6,721,716	0	9,404,215	0
OP&F	15,895,196	8,254,008	0	24,149,204	0
<i>Total Net Pension Liability</i>	<u>18,577,695</u>	<u>14,975,724</u>	<u>0</u>	<u>33,553,419</u>	<u>0</u>
<i>Net OPEB Liability:</i>					
OPERS	0	205,732	0	205,732	0
OP&F	2,788,751	0	(978,721)	1,810,030	0
<i>Total Net OPEB Liability</i>	<u>2,788,751</u>	<u>205,732</u>	<u>(978,721)</u>	<u>2,015,762</u>	<u>0</u>
Accrued Police and Fire Pension Liability	76,356	0	(4,868)	71,488	4,962
Financed Purchases from Direct Borrowing	587,064	0	(238,596)	348,468	244,130
Claims Payable	184,162	21,797	(136,442)	69,517	0
Compensated Absences	2,162,892	600,099	(511,920)	2,251,071	510,951
<i>Total Other Long-term Obligations</i>	<u>24,376,920</u>	<u>15,803,352</u>	<u>(1,870,547)</u>	<u>38,309,725</u>	<u>760,043</u>
<i>Total Governmental Long-Term Obligations</i>	<u>\$41,189,381</u>	<u>\$15,803,352</u>	<u>(\$3,469,121)</u>	<u>\$53,523,612</u>	<u>\$2,223,570</u>
<i>Business-Type Activities:</i>					
<i>General Obligation Bonds:</i>					
<i>2012 Storm Sewer Improvements</i>					
Term Bonds	\$2,095,000	\$0	(\$375,000)	\$1,720,000	\$470,000
<i>OWDA Loans from Direct Borrowings:</i>					
Influent Pump Station	3,536,662	0	(203,468)	3,333,194	207,680
Tertiary Filters and UV Replacement	2,817,502	0	(128,551)	2,688,951	131,459
Blower Control Building	5,448,925	293,921	(265,586)	5,477,260	272,420
B Pump Station Conversion	846,971	1,095,863	(135,894)	1,806,940	0
<i>Total OWDA Loans</i>	<u>12,650,060</u>	<u>1,389,784</u>	<u>(733,499)</u>	<u>13,306,345</u>	<u>611,559</u>
<i>Other Long-term Obligations:</i>					
<i>Net Pension Liability OPERS:</i>					
Sanitary Sewer	1,109,572	2,853,967	0	3,963,539	0
<i>Net OPEB Liability OPERS:</i>					
Sanitary Sewer	0	86,708	0	86,708	0
Compensated Absences	468,690	108,704	(113,719)	463,675	100,382
<i>Total Other Long-term Obligations</i>	<u>1,578,262</u>	<u>3,049,379</u>	<u>(113,719)</u>	<u>4,513,922</u>	<u>100,382</u>
<i>Total Business-Type Long-Term Obligations</i>	<u>\$16,323,322</u>	<u>\$4,439,163</u>	<u>(\$1,222,218)</u>	<u>\$19,540,267</u>	<u>\$1,181,941</u>

**City of North Royalton, Ohio**  
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General obligation bonds are paid from the general obligation bond retirement debt service fund as well as user charges from the sanitary sewer enterprise fund. Special assessment bonds are being paid from the special assessment bond retirement debt service fund and the sanitary sewer enterprise fund with special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The Ohio Public Works Commission (OPWC) projects are being paid from the general obligation bond retirement debt service fund. The Ohio Water Development Agency (OWDA) loans will be paid from user charges in the sanitary sewer enterprise fund. Financed purchases are paid from the general fund and the fire capital improvement capital projects fund. The accrued police and fire pension liability will be paid from property taxes receipted in the police and fire pension special revenue funds. Workers' compensation claims will be paid from the general fund.

Compensated absences will be paid from the general fund, the police facility, EMS levy and street construction, maintenance and repair special revenue funds and the sanitary sewer enterprise fund. The City pays obligations to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the police facility, street construction, maintenance and repair, aging, police pension and fire pension special revenue funds and the sanitary sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 12 and 13.

On August 1 2003, the City issued \$1,120,000 in industrial park special assessment bonds. The bonds were issued for a period of twenty years at an interest rate of 4.6 percent with a final maturity in 2023. The bonds were retired from the special assessment bond retirement debt service fund.

On February 21, 2012, the City issued \$5,395,000 in various purpose general obligation bonds. The bonds were issued for a period of fourteen years at an interest rate of 3.25 percent with a final maturity in 2026. The bonds will be retired from the sanitary sewer enterprise fund and the general obligation bond retirement debt service fund.

The 2012 various improvement general obligation term bonds maturing on December 1, 2026 are subject to mandatory redemption and are to be redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date on December 1 in each of the years and in the principal amounts set forth below:

Year	Issue
	\$5,395,000
2024	\$505,000
2025	520,000
Total Mandatory Sinking Fund Payments	1,025,000
Amount Due at Stated Maturity	820,000
Total	\$1,845,000
<i>Stated Maturity</i>	<i>12/1/2026</i>

On May 21, 2014, the City issued \$7,435,000 in various purpose (YMCA) general obligation bonds. The bonds were issued for a period of twenty years at interest rates varying between 1.5 and 4.0 percent with a final maturity in 2034. In 2021, \$5,177,826 of these bonds were refunded to take advantage of lower interest rates. At December 31, 2023, the remaining principal on the original issue is \$405,000. The bonds will be retired from the general obligation bond retirement debt service fund.

**City of North Royalton, Ohio**  
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On June 17, 2014, the City issued \$2,356,000 in various purpose general obligation bonds. The bonds were issued for a period of eleven years at an interest rate of 2.35 percent with a final maturity in 2025. The bonds will be retired through the general obligation bond retirement debt service fund.

On April 7, 2015, the City issued \$3,980,000 in refunding bonds to refund the series 2008 bonds, of which \$3,835,000 were general obligation bonds and \$145,000 were special assessment bonds. The bonds were issued for a thirteen year period with interest rates varying from 2.0 to 3.5 percent with a final maturity in 2028. The bonds will be retired through the general obligation and special assessment debt service funds.

On April 7, 2015, the City issued \$1,170,000 in roadway improvement general obligation bonds. The bonds were issued for a twenty year period with interest rates varying from 2.0 to 4.0 percent with a final maturity in 2035. The bonds will be retired through the general obligation debt service fund.

On April 7, 2015, the City issued \$270,000 in Edgerton sewer special assessment bonds. The bonds were issued for a twenty year period with interest rates varying from 2.0 to 4.0 percent with a final maturity in 2035. The bonds will be retired through the special assessment debt service fund.

On April 7, 2015, the City issued \$3,015,000 in city hall improvement general obligation bonds. The bonds were issued for a twenty year period with interest rates varying from 2.0 to 4.0 percent with a final maturity in 2035. The bonds will be retired through the general obligation debt service fund.

On October 28, 2021, the City issued \$4,710,000 in YMCA project general obligation refunding bonds. These bonds partially refunded the 2014 various purpose (YMCA) bonds. The bonds were issued for a period of eighteen years at interest rates varying between 3.0 and 4.0 percent with a final maturity in 2039. The bonds will be retired from the general obligation bond retirement debt service fund.

The 2021 YMCA project general obligation refunding term bonds maturing on December 1, 2029, 2031, 2033, 2035, 2037 and 2039, respectively, are subject to mandatory redemption and are to be redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date on December 1 in each of the years and in the principal amounts set forth below:

Year	\$495,000	\$525,000	\$555,000
2028	\$245,000	\$0	\$0
2030	0	260,000	0
2032	0	0	275,000
Total Mandatory Sinking Fund Payments	245,000	260,000	275,000
Amount Due at Stated Maturity	250,000	265,000	280,000
Total	\$495,000	\$525,000	\$555,000
<i>Stated Maturity</i>	<i>12/1/2029</i>	<i>12/1/2031</i>	<i>12/1/2033</i>

**City of North Royalton, Ohio**  
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Year	\$590,000	\$625,000	\$660,000
2034	\$290,000	\$0	\$0
2036	0	310,000	0
2038	0	0	325,000
Total Mandatory Sinking Fund Payments	290,000	310,000	325,000
Amount Due at Stated Maturity	300,000	315,000	335,000
Total	<u>\$590,000</u>	<u>\$625,000</u>	<u>\$660,000</u>
<i>Stated Maturity</i>	<i>12/1/2035</i>	<i>12/1/2037</i>	<i>12/1/2039</i>

On December 1, 2021, the City issued \$2,380,000 in energy conservation refunding bonds. The bonds were issued for a period of thirteen years at interest rates varying between 3.0 and 4.0 percent with a final maturity in 2034. The bonds will be retired from the general obligation bond retirement debt service fund.

The 2021 energy conservation refunding term bonds maturing on December 1, 2031, and December 1, 2034, respectively, are subject to mandatory redemption and are to be redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date on December 1 in each of the years and in the principal amounts set forth below:

Year	Issue	
	\$405,000	\$650,000
2030	\$200,000	\$0
2032	0	210,000
2033	0	215,000
Total Mandatory Sinking Fund Payments	200,000	425,000
Amount Due at Stated Maturity	205,000	225,000
Total	<u>\$405,000</u>	<u>\$650,000</u>
<i>Stated Maturity</i>	<i>12/1/2031</i>	<i>12/1/2034</i>

On December 1, 2021, the City issued \$690,000 in fire engine general obligation bonds. The bonds were issued for a period of ten years at interest rates varying between 3.0 and 4.0 percent with a final maturity in 2031. The bonds will be retired from the general obligation bond retirement debt service fund.

The 2021 fire engine term bonds maturing on December 1, 2031 are subject to mandatory redemption and are to be redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed, plus interest accrued to the redemption date on December 1 in each of the years and in the principal amounts set forth below:

Year	\$160,000
2030	\$80,000
Amount Due at Stated Maturity	80,000
Total	<u>\$160,000</u>
<i>Stated Maturity</i>	<i>12/1/2031</i>



**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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The City completed work with OWDA on a new Influent Pump Station during 2018. The total project cost was \$4,493,739, which will be repaid over a twenty year period at an interest rate of 2.06 percent. The repayments will be made from the sanitary sewer enterprise fund.

The City completed the project with OWDA at the Wastewater Treatment plant for Tertiary Filters and UV replacement in 2022. The project cost was \$3,066,134 with a repayment interest rate of 2.25 percent over a twenty year period. The repayments will be made from the sanitary sewer enterprise fund.

The City completed the project with OWDA at the Wastewater Treatment plant for the Blower Control Building and improvement project in 2023. The project cost was \$6,011,782 with a repayment interest rate of 1.28 percent over a twenty year period. The repayments will be made from the sanitary sewer enterprise fund.

The City began the design on the B Pump Station Conversion project at the Wastewater Treatment Plant with financing from OWDA in 2022. The project is expected to be completed in 2024 with expected cost to be \$2,727,532 with a repayment interest rate of 1.86 percent. The City incurred total costs of \$846,971 through 2022. The project is still in progress; therefore, no repayment schedule is available.

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$1,059,339, contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$13,306,345 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA for the B Pump Station Conversion project at the Wastewater Treatment Plant in the amount of \$2,727,532. The City has entered into contractual agreements for construction loans from OWDA. Under the terms of those agreements, OWDA will reimburse, advance or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The loan will not have an accurate repayment schedule until the loan is finalized and, therefore, it is not included in the schedule of future annual debt service requirements. As of December 31, 2023, the balance of the loan is \$1,806,940.

The City's overall debt margin was \$98,351,350 and the unvoted legal debt margin was \$44,602,787 at December 31, 2023. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2023, are as follows:

**City of North Royalton, Ohio**  
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Governmental Activities				
	General Obligation Bonds		Special Assessment Bonds	
	Serial and Term Bonds		Serial Bonds	
	Principal	Interest	Principal	Interest
2024	\$1,323,000	\$438,534	\$30,000	\$9,812
2025	1,363,000	396,086	35,000	8,913
2026	1,170,000	350,563	35,000	7,775
2027	1,165,000	307,425	30,000	6,550
2028	1,200,000	264,075	30,000	5,500
2029-2033	4,010,000	839,150	75,000	16,775
2034-2038	2,365,000	233,550	40,000	2,400
2039	335,000	10,050	0	0
<b>Total</b>	<b>\$12,931,000</b>	<b>\$2,839,433</b>	<b>\$275,000</b>	<b>\$57,725</b>

Governmental Activities					
	<i>From Direct Borrowings</i>			Accrued Police and Fire	
	OPWC Loans	Financed Purchases		Pension Liability	
	Principal	Principal	Interest	Principal	Interest
2024	\$110,527	\$244,130	\$10,562	\$4,962	\$2,985
2025	110,527	104,338	3,474	5,175	2,773
2026	97,475	0	0	5,397	2,551
2027	84,421	0	0	5,629	2,319
2028	84,421	0	0	5,870	2,077
2029-2033	422,106	0	0	33,358	6,378
2034-2036	149,862	0	0	11,097	470
<b>Total</b>	<b>\$1,059,339</b>	<b>\$348,468</b>	<b>\$14,036</b>	<b>\$71,488</b>	<b>\$19,553</b>

Business-Type Activities				
	General Obligation Bonds		<i>From Direct Borrowings</i>	
	Term Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2024	\$470,000	\$55,900	\$611,559	\$196,606
2025	485,000	40,625	622,333	185,833
2026	765,000	24,863	633,308	174,859
2027	0	0	644,487	163,679
2028	0	0	655,875	152,291
2029-2033	0	0	3,457,821	583,011
2034-2038	0	0	3,499,683	265,868
2039-2041	0	0	1,374,339	33,092
<b>Total</b>	<b>\$1,720,000</b>	<b>\$121,388</b>	<b>\$11,499,405</b>	<b>\$1,755,239</b>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 12 – Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability (Asset) /Net OPEB Liability***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

**City of North Royalton, Ohio**  
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***Ohio Public Employees Retirement System (OPERS)***

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 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.

**City of North Royalton, Ohio**  
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Members 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 upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan 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 percent 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 Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**City of North Royalton, Ohio**  
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	State and Local	
	Traditional	Combined
<b>2023 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
 <b>2023 Actual Contribution Rates</b>		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
 Total Employer	 14.0 %	 14.0 %
 Employee	 10.0 %	 10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City’s contractually required contribution was \$997,597 for the traditional plan, \$50,249 for the combined plan and \$26,919 for the member-directed plan. Of these amounts, \$117,068 is reported as an intergovernmental payable for the traditional plan, \$5,895 for the combined plan, and \$3,161 for the member-directed plan.

***Ohio Police & Fire Pension Fund (OP&F)***

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, statutory survivors and annuity beneficiaries. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

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	<u>Police</u>	<u>Firefighters</u>
<b>2023 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2023 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,542,155 for 2023. Of this amount, \$206,275 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2023 the specific liability of the City was \$71,488 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0452530%	0.0874640%	0.2542281%	
Prior Measurement Date	<u>0.0435850%</u>	<u>0.0851940%</u>	<u>0.2544281%</u>	
Change in Proportionate Share	<u>0.0016680%</u>	<u>0.0022700%</u>	<u>-0.0002000%</u>	
Proportionate Share of the:				
Net Pension Liability	\$13,367,754	\$0	\$24,149,204	\$37,516,958
Net Pension Asset	0	206,144	0	206,144
Pension Expense	2,092,476	26,829	3,309,872	5,429,177

2023 pension expense for the member-directed defined contribution plan was \$26,919. The aggregate pension expense for all pension plans was \$5,456,096 for 2023.



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At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$444,020	\$12,674	\$362,227	\$818,921
Changes of assumptions	141,221	13,648	2,178,176	2,333,045
Net difference between projected and actual earnings on pension plan investments	3,810,230	75,127	3,515,827	7,401,184
Changes in proportion and differences between City contributions and proportionate share of contributions	200,790	713	1,485,477	1,686,980
City contributions subsequent to the measurement date	<u>997,597</u>	<u>50,249</u>	<u>1,542,155</u>	<u>2,590,001</u>
Total Deferred Outflows of Resources	<u>\$5,593,858</u>	<u>\$152,411</u>	<u>\$9,083,862</u>	<u>\$14,830,131</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$0	\$29,456	\$550,190	\$579,646
Changes of assumptions	0	0	470,903	470,903
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>19,855</u>	<u>136,133</u>	<u>155,988</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$49,311</u>	<u>\$1,157,226</u>	<u>\$1,206,537</u>

\$2,590,001 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2024	\$661,230	(\$605)	\$935,664	\$1,596,289
2025	946,979	10,280	1,671,389	2,628,648
2026	1,121,537	15,671	1,697,014	2,834,222
2027	1,866,515	29,011	2,133,056	4,028,582
2028	0	(2,409)	(52,642)	(55,051)
Thereafter	<u>0</u>	<u>903</u>	<u>0</u>	<u>903</u>
Total	<u>\$4,596,261</u>	<u>\$52,851</u>	<u>\$6,384,481</u>	<u>\$11,033,593</u>

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***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 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 was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan 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 12.1 percent for 2022.

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The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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 are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$20,024,453	\$13,367,754	\$7,830,579
OPERS Combined Plan	(107,581)	(206,144)	(284,258)

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***Actuarial Assumptions – OP&F***

OP&F’s total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

Note: Assumptions are geometric.

\* levered 2.5x

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OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$31,857,461	\$24,149,204	\$17,741,331

**Note 13 – Defined Benefit OPEB Plans**

See Note 12 for a description of the net OPEB liability.

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description** – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. 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, Combined and Member-Directed plans. Medicare-enrolled 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 selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

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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 traditional pension plan and combined plan 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 or Combined 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:

**Medicare Retirees** Medicare-eligible with a minimum of 20 years of qualifying service credit

**Non-Medicare Retirees** Non-Medicare retirees qualify based on the following age-and-service criteria:

**Group A** 30 years of qualifying service credit at any age;

**Group B** 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

**Group C** 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't 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 January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

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.

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

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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 percent 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.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 Ohio Revised Code 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. 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 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. 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 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$16,578 for 2023. Of this amount, \$1,945 is reported as an intergovernmental payable.



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***Ohio Police & Fire Pension Fund (OP&F)***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$36,189 for 2023. Of this amount, \$4,894 is reported as an intergovernmental payable.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0463810%	0.2542281%	
Prior Measurement Date	<u>0.0439910%</u>	<u>0.2544281%</u>	
Change in Proportionate Share	<u>0.0023900%</u>	<u>-0.0002000%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$292,440	\$1,810,030	\$2,102,470
OPEB Expense	(515,901)	86,180	(429,721)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$108,012	\$108,012
Changes of assumptions	285,634	902,019	1,187,653
Net difference between projected and actual earnings on OPEB plan investments	580,798	155,247	736,045
Changes in proportion and differences between City contributions and proportionate share of contributions	4,805	0	4,805
City contributions subsequent to the measurement date	<u>16,578</u>	<u>36,189</u>	<u>52,767</u>
Total Deferred Outflows of Resources	<u>\$887,815</u>	<u>\$1,201,467</u>	<u>\$2,089,282</u>

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	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$72,946	\$356,902	\$429,848
Changes of assumptions	23,503	1,480,458	1,503,961
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>164,994</u>	<u>164,994</u>
Total Deferred Inflows of Resources	<u>\$96,449</u>	<u>\$2,002,354</u>	<u>\$2,098,803</u>

\$52,774 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2024	\$100,121	(\$87,260)	\$12,861
2025	212,981	(71,615)	141,366
2026	181,112	(94,749)	86,363
2027	280,574	(54,997)	225,577
2028	0	(160,889)	(160,889)
Thereafter	<u>0</u>	<u>(367,566)</u>	<u>(367,566)</u>
Total	<u>\$774,788</u>	<u>(\$837,076)</u>	<u>(\$62,288)</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.

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

**Discount Rate** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$995,336	\$292,440	(\$287,562)

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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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 2023 is 5.50 percent. 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 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 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$274,112	\$292,440	\$313,072

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

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The most recent experience study was completed for the five year period ended December 31, 2021.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

**Discount Rate** For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$2,228,882	\$1,810,030	\$1,456,412

**Note 14 - Jointly Governed Organizations**

**Southwest Council of Governments** The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The board is comprised of one member from each of the twenty-one participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the board. Each city’s degree of control is limited to its representation on the board. In 2023, the City contributed \$28,000 to the Southwest Council of Governments.

The Council has established two subsidiary organizations, the Hazardous Material Response Team (“HAZMAT”) which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. The Council’s financial statements may be obtained by contacting the Southwest Council of Governments, Berea, Ohio.



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***Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 200 communities in 20 counties who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the seventeen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of North Royalton did not contribute to NOPEC during 2023. Financial information can be obtained on the NOPEC website at [www.nopec.org/who-is-nopec/annual-reports](http://www.nopec.org/who-is-nopec/annual-reports).

***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, the City paid RITA \$228,762 for income tax collection services.

***Southwest Regional Communications***

The Southwest Regional Communications is a jointly-governed organization between the City and seven other communities. Formed as a Regional Council of Governments as permitted under Ohio Revised Code Section 167.01, the intent of the organization is to establish, own, operate, maintain, and administer, a regional communications network for public safety and public service purposes for the mutual benefit of the participating communities. This organization is controlled by a governing body consisting of each participating community's mayor or his/her delegate or representative. The degree of control exercised by any member is limited to its representation on the governing board.

All members agree to contribute the sums of money on a shared basis as agreed per the requirements set forth in the Articles of Understanding. In accordance with GASB Statement No. 14 and amended by GASB Statement No. 61, the City does not have an equity interest in the organization. In 2023, the City of North Royalton contributed \$39,234. Financial information may be obtained by contacting Martin S. Healy, 17401 Holland Road, Brook Park, Ohio 44142, or by email at [healymwcc@gmail.com](mailto:healymwcc@gmail.com).

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***Parma Community General Hospital Association***

The Parma Community General Hospital Association, also known as University Hospitals Parma Medical Center (the “Association”), is a not-for-profit adult care hospital controlled by the Parma Community General Hospital Association. The Board of Trustees of the Association is composed of mayoral appointees from the cities of North Royalton, Parma, Brooklyn, Parma Heights, Seven Hills, and Brooklyn Heights. Each city has two representatives on the board except Parma, which has six. The operations, maintenance, and management of the hospital is the exclusive charge of the Parma Community General Hospital Association. The City’s degree of control is limited to its appointments to the Board of Trustees.

Additions to the hospital have been financed by the issuance of hospital revenue bonds. The bonds are backed solely by the revenues of the hospital. The cities have no responsibility for the payment of the bonds, nor does any city have any ongoing financial interest in or responsibility for the hospital.

Because there is no ongoing equity interest, there is no requirement to disclose the investment in the jointly governed organization. There does exist, however, a residual equity interest upon the dissolution or sale of the hospital, according to the terms of the original agreement among the cities. The City of North Royalton has made no contributions to the hospital during the year. The hospital’s financial statements may be obtained by contacting the Parma Community General Hospital, Parma, Ohio.

**Note 15 – Internal Activity**

***Interfund Transfers***

Transfers To	Transfers From			Total
	General	Other Governmental Funds	Sanitary Sewer	
Major Funds:				
EMS Levy	\$2,000,000	\$0	\$0	\$2,000,000
Sanitary Sewer	0	78,344	0	78,344
Other Governmental Funds	3,313,950	802,999	3,136	4,120,085
Total	<u>\$5,313,950</u>	<u>\$881,343</u>	<u>\$3,136</u>	<u>\$6,198,429</u>

The general fund transfers to the major and nonmajor funds were made to provide additional resources for current operations. The transfer from the sanitary sewer enterprise fund to the Sprague Road capital projects was to move receipts from the prior year. The transfers from other governmental funds to the general obligation bond retirement fund were to pay the capital project fund portion of the principal and interest due on the bonds. The transfer from the storm drainage capital projects fund to the sanitary sewer enterprise fund was for a capital asset purchase in 2023.

***Interfund Balances***

At December 31, 2023, the general fund has an interfund receivable of \$84,075 from the FEMA special revenue fund due to the timing of the receipt of grant monies. All interfund balances are typically repaid within one year or when the grant is completed.

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***Internal Balances – Change in Proportionate Share***

The City uses an internal proportionate share to allocate its net pension/OPEB liabilities and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Balances related to the internal proportionate share for pension and OPEB at December 31, 2023, were as follows:

	Pension		OPEB	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Governmental Activities	\$1,320	\$17,953	\$0	\$3,505
Business-Type Activities:				
Sanitary Sewer	17,953	1,320	3,505	0
Total	\$19,273	\$19,273	\$3,505	\$3,505

**Note 16 – Lease Transaction**

In December 2010, the City signed an operating agreement with the YMCA of Greater Cleveland, which was ratified by North Royalton City Council in January of 2011. The agreement specifies that the YMCA will act as the City’s Construction Agent on the rehabilitation of the former Avalon Event Center into a YMCA facility. Construction was completed in spring of 2012, and the facility was officially opened on June 3, 2012. There have been multiple amendments to this agreement, the latest being approved by City Council in December 2022.

The City, in May of 2013, issued \$8,519,000 in BAN’s for this purpose, which were subsequently retired with Bonds issued for 20 years in May of 2014. These Bonds were refinanced in 2021 to take advantage of lower interest market rates.

Additionally, a lease agreement between the City, the YMCA of Greater Cleveland, and University Hospital Parma Medical Center was signed in December 2010. This agreement specifies lease of approximately 7,000 square feet of the new YMCA facility by Parma Community Hospital, for 10 years beginning on the actual date of occupancy, after construction of the facility is completed. The parties entered into a new five year lease agreement beginning in January 2023.

In December 2022, City Council entered into a lease agreement with Flock Safety for Flock Falcon Cameras. The agreement allowed for ten (10) cameras including installation. In November 2023, a new lease was presented for the same (10) cameras but extended the term from twenty-four (24) months to sixty (60) months with a twenty-four (24) renewal extension. This new agreement begins in January 2024.

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**Note 17 – Significant Commitments**

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

<b>Governmental</b>	<b>Business-Type</b>		
General	\$619,436	Sanitary Sewer	\$2,252,956
Street Construction, Maintenance and Repair	680,854		
EMS Levy	10,674		
Other Governmental Funds	1,331,514		
Total	\$2,642,478		

***Contractual Commitments***

As of December 31, 2023, the City had the following contractual commitments:

Project	Amount Remaining on Contract
<b>Governmental:</b>	
Splash Pad	\$163,783
Sprague Road Resurfacing Project	129,176
NEORS Grant - Design and Engineering Services - Sprague Thornhurst Stream Restoration	94,313
FEMA Grant - Survey and Design - Soil Stabilization Project	77,883
Memorial Park All Purpose Trail	66,143
Baseball Field (York Road) Lighting Upgrade	57,760
Tennis Court Renovation	45,882
Culvert Replacement Project - Boston Road	44,250
YMCA Pool Lighting	43,850
York Road Resurfacing Project	36,391
Senior Center Construction Project	27,611
YMCA HVAC Replacement	23,352
York Road Baseball Field Restroom Upgrade	15,470
Baseball Field Fencing, Dugouts and Drainage Project	11,500
Phase 2 - Route 82 Project	10,005
Royalton Road Erosion Project	9,250
Total	\$856,619
<b>Business-type:</b>	
Valley Vista Pump Station	\$923,620
B Plant Conversion and Abbey Road Sanitary Sewer Project	841,611
York Road Sanitary Sewer Project	97,325
Edgerton Road Sanitary Sewer	33,410
Total	\$1,895,966

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Remaining commitment amounts were encumbered at year end. The amounts of \$229,324, \$22,601 and \$57,986 in accounts, contracts and retainage payable for governmental activities, respectively, have been capitalized. The amount of \$135,949 in contracts payable for business-type activities has been capitalized.

**Note 18 – Changes in Accounting Principle and Restatement of Net Position**

***Changes in Accounting Principle***

For 2023, the City implemented Governmental Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The City did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

For 2023, the City also implemented the guidance in GASB’s Implementation Guide No. 2021-1, *Implementation Guidance Update—2021* (other than question 5.1).

***Restatement of Net Position***

During 2023, it was determined that capital assets were understated for both governmental and business-type activities. The restatements had the following effect on net position as of December 31, 2022:

	Governmental Activities	Business-Type Activities
Net Position December 31, 2022	\$60,630,535	\$53,851,129
Adjustments:		
Capital Assets	429,834	20,832
Restated Net Position December 31, 2022	\$61,060,369	\$53,871,961

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Note 19 – Asset Retirement Obligations**

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. At the time, due to limitations associated with the existing plant's age and building materials within the plant, the engineer consulted would not have a reasonable estimate to calculate a liability for this year.

**Note 20 – Tax Abatement**

As of December 31, 2023, the City of North Royalton provides tax incentive programs under The Community Reinvestment Area.

Pursuant to Ohio Revised Code Chapter 5709, the City established an initial Community Reinvestment area in 2011 and a second one in 2015; each targeting a specific corridor in the City for development and redevelopment. The City of North Royalton authorizes incentives through passage of public ordinances, based on upon each business' investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Areas gave the City the ability to maintain and expand businesses located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate. The City of North Royalton also contracts with the North Royalton City School District for payments in lieu of taxes when required be Section 5709.82 of the Ohio Revised Code.

As a result of these tax incentive programs, a total of \$3,159 in property taxes were abated for calendar year 2023.

In 2023, the City of North Royalton was not required to make payments to the North Royalton School District or Cuyahoga Valley Career Center since no company (CRA approved companies) met the income tax threshold which would trigger the shared income tax payments to the North Royalton School District or Cuyahoga Valley Career Center.

**Note 21 – Subsequent Event**

In December 2023, the City of North Royalton accepted a grant from the U.S. Department of Housing and Urban Development (HUD) for the Abbey Road Sanitary Sewer Project and Construction of a Force Main. This grant was originally applied for to be used for the York Beta Drive Industrial Park Expansion Project. The \$2,000,000 HUD Grant was officially awarded in March 2024.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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## Required Supplementary Information

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**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Ten Years*

	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.0452530%	0.0435850%	0.0428810%	0.0434950%
City's Proportionate Share of the Net Pension Liability	\$13,367,754	\$3,792,071	\$6,349,743	\$8,597,082
City's Covered Payroll	\$7,014,707	\$6,324,207	\$6,040,850	\$6,119,607
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	59.96%	105.11%	140.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.0437350%	0.0445570%	0.0463530%	0.0460220%	0.0471750%	0.0471750%
\$11,978,130	\$6,990,129	\$10,525,978	\$7,971,591	\$5,689,832	\$5,561,318
\$5,905,029	\$5,894,015	\$5,992,142	\$5,730,167	\$5,802,817	\$6,277,723
202.85%	118.60%	175.66%	139.12%	98.05%	88.59%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Asset*  
*Ohio Public Employees Retirement System - Combined Plan*  
*Last Ten Years*

	2023	2022	2021	2020
City's Proportion of the Net Pension Asset	0.0874640%	0.0851940%	0.0831290%	0.0805780%
City's Proportionate Share of the Net Pension Asset	\$206,144	\$335,669	\$239,963	\$168,025
City's Covered Payroll	\$406,950	\$388,393	\$366,350	\$358,700
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-50.66%	-86.43%	-65.50%	-46.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.14%	169.88%	157.67%	145.28%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.0780180%	0.0673160%	0.0632960%	0.0643200%	0.0580720%	0.0580720%
\$87,242	\$91,639	\$35,229	\$31,300	\$22,360	\$6,093
\$333,679	\$275,692	\$246,383	\$234,083	\$213,883	\$246,062
-26.15%	-33.24%	-14.30%	-13.37%	-10.45%	-2.48%
126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net OPEB Liability (Asset)*  
*Ohio Public Employees Retirement System - OPEB Plan*  
*Last Seven Years (1)*

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability (Asset)	0.0463810%	0.0439910%	0.0432300%	0.0434730%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$292,440	(\$1,377,865)	(\$770,177)	\$6,004,751
City's Covered Payroll	\$7,719,464	\$6,858,543	\$6,539,218	\$6,567,750
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	3.79%	-20.09%	-11.78%	91.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017
0.0436190%	0.0440400%	0.0454800%
\$5,686,888	\$4,782,420	\$4,593,634
\$6,324,504	\$6,238,423	\$6,285,571
89.92%	76.66%	73.08%
46.33%	54.14%	54.04%

**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension Liability	0.2542281%	0.2544281%	0.2595903%	0.2653806%
City's Proportionate Share of the Net Pension Liability	\$24,149,204	\$15,895,196	\$17,696,508	\$17,877,455
City's Covered Payroll	\$6,570,733	\$6,454,159	\$6,299,633	\$6,274,405
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	367.53%	246.28%	280.91%	284.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.2720484%	0.2760900%	0.2779080%	0.3125050%	0.2666109%	0.2666109%
\$22,206,345	\$16,944,890	\$17,602,414	\$20,103,666	\$13,811,557	\$12,984,787
\$6,138,010	\$6,000,091	\$5,797,228	\$5,480,085	\$5,740,045	\$6,514,432
361.78%	282.41%	303.64%	366.85%	240.62%	199.32%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%



**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the*  
*Net OPEB Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Seven Years (1)*

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.2542281%	0.2544281%	0.2595903%	0.2653806%
City's Proportionate Share of the Net OPEB Liability	\$1,810,030	\$2,788,751	\$2,750,402	\$2,621,358
City's Covered Payroll	\$6,570,733	\$6,454,159	\$6,299,633	\$6,274,405
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	27.55%	43.21%	43.66%	41.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	46.86%	45.42%	47.08%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017
0.2720484%	0.2760900%	0.2779080%
\$2,477,419	\$15,642,908	\$13,191,763
\$6,138,010	\$6,000,091	\$5,797,228
40.36%	260.71%	227.55%
46.57%	14.13%	15.96%

**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2023	2022	2021	2020
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$997,597	\$982,059	\$885,389	\$845,719
Contributions in Relation to the Contractually Required Contribution	<u>(997,597)</u>	<u>(982,059)</u>	<u>(885,389)</u>	<u>(845,719)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$7,125,693	\$7,014,707	\$6,324,207	\$6,040,850
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>				
Contractually Required Contribution	\$50,249	\$56,973	\$54,375	\$51,289
Contributions in Relation to the Contractually Required Contribution	<u>(50,249)</u>	<u>(56,973)</u>	<u>(54,375)</u>	<u>(51,289)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$418,742	\$406,950	\$388,393	\$366,350
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$16,578	\$11,912	\$5,838	\$5,281
Contributions in Relation to the Contractually Required Contribution	<u>(16,578)</u>	<u>(11,912)</u>	<u>(5,838)</u>	<u>(5,281)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$7,795,291	\$7,719,464	\$6,858,543	\$6,539,218
OPEB Contributions as a Percentage of Covered Payroll	<u>0.21%</u>	<u>0.15%</u>	<u>0.09%</u>	<u>0.08%</u>

(1) Information prior to 2015 is not available for the OPEB plan.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$856,745	\$826,704	\$766,222	\$719,057	\$687,620	\$696,338
<u>(856,745)</u>	<u>(826,704)</u>	<u>(766,222)</u>	<u>(719,057)</u>	<u>(687,620)</u>	<u>(696,338)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,119,607	\$5,905,029	\$5,894,015	\$5,992,142	\$5,730,167	\$5,802,817
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$50,218	\$46,715	\$35,840	\$29,566	\$28,090	\$25,666
<u>(50,218)</u>	<u>(46,715)</u>	<u>(35,840)</u>	<u>(29,566)</u>	<u>(28,090)</u>	<u>(25,666)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$358,700	\$333,679	\$275,692	\$246,383	\$234,083	\$213,883
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>
\$3,578	\$3,432	\$64,587	\$126,652	\$119,239	
<u>(3,578)</u>	<u>(3,432)</u>	<u>(64,587)</u>	<u>(126,652)</u>	<u>(119,239)</u>	
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
\$6,567,750	\$6,324,504	\$6,238,423	\$6,285,571	\$5,986,769	
<u>0.05%</u>	<u>0.05%</u>	<u>1.04%</u>	<u>2.01%</u>	<u>1.99%</u>	

**City of North Royalton, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,542,155	\$1,399,969	\$1,373,214	\$1,338,821
Contributions in Relation to the Contractually Required Contribution	<u>(1,542,155)</u>	<u>(1,399,969)</u>	<u>(1,373,214)</u>	<u>(1,338,821)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$7,237,704	\$6,570,733	\$6,454,159	\$6,299,633
Pension Contributions as a Percentage of Covered Payroll	<u>21.31%</u>	<u>21.31%</u>	<u>21.28%</u>	<u>21.25%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$36,189	\$32,854	\$32,271	\$31,499
Contributions in Relation to the Contractually Required Contribution	<u>(36,189)</u>	<u>(32,854)</u>	<u>(32,271)</u>	<u>(31,499)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.81%</u>	<u>21.81%</u>	<u>21.78%</u>	<u>21.75%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$1,333,419	\$1,303,626	\$1,277,218	\$1,235,191	\$1,163,154	\$1,220,429
(1,333,419)	(1,303,626)	(1,277,218)	(1,235,191)	(1,163,154)	(1,220,429)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,274,405	\$6,138,010	\$6,000,091	\$5,797,228	\$5,480,085	\$5,740,045
21.25%	21.24%	21.29%	21.31%	21.23%	21.26%
\$31,372	\$30,690	\$30,000	\$29,165	\$29,188	\$115,298
(31,372)	(30,690)	(30,000)	(29,165)	(29,188)	(115,298)
\$0	\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	0.50%	0.50%	0.53%	2.01%
21.75%	21.74%	21.79%	21.81%	21.76%	23.27%

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

**Changes in Assumptions – OPERS Pension– Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019 through 2021	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 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 these tables.

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Changes in Assumptions – OPERS Pension – Combined Plan**

	2022	2019 through 2021	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

**Changes in Assumptions – OP&F Pension**

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent



**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2023*

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Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2023

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**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
2023 and 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2023 and 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions – OP&F OPEB**

Blended Discount Rate:	
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2023*

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For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and 2023.

**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

**Changes in Benefit Terms – OP&F OPEB**

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City of North Royalton  
Cuyahoga County  
14600 State Road  
North Royalton, Ohio 44133

To the Members of City Council:

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Royalton, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates  
Certified Public Accountants

June 21, 2024

**CITY OF NORTH ROYALTON  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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The prior audit report, as of December 31, 2022, included no findings. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF NORTH ROYALTON**

**CUYAHOGA 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 8/6/2024**

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](http://www.ohioauditor.gov)