

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

Zupka & Associates
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of North Royalton
14600 State Road
North Royalton, Ohio 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, 2022 through December 31, 2022. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 14, 2023

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**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, Street Construction, Maintenance & 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.

Emphasis of Matter

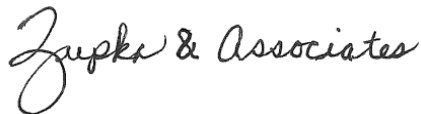
As discussed in Note 23 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

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 12, 2023, 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 12, 2023

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**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

The discussion and analysis of the City of North Royalton’s (the City) financial performance provides an overall review of the City’s financial activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the City’s financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2022 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$114,481,664.
- Total assets for governmental activities increased by \$3,839,800, which represents an increase of 3.54 percent from 2022.
- Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60,630,535 for governmental activities and \$53,851,129 for business-type activities.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$24,764,096, or an increase of \$6,294,576 in comparison with the prior year.
- The City’s total debt increased by \$629,521 during the current year.

Using this Financial Report

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City’s basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements

Government-wide Financial Statements – Reporting the City of North Royalton as a Whole

Government-wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City’s finances in a manner similar to a private-sector business. 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 finances and a longer-term view of those finances. Major 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 dollars remain for future spending. The fund financial statements also look at the City’s most significant funds with all other non-major funds presented in one column.

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CUYAHOGA COUNTY, OHIO
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Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, excluding fiduciary funds, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered.

The Statement of Activities presents information showing how the City's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's wastewater system is reported here.

Fund Financial Statements – Reporting the City of North Royalton's Most Significant Funds

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 objectives. The City of North Royalton, 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.

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 spendable resources, as well as on the balance of spendable resources available at the end of the fiscal 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, the readers may better understand the long-term impact of the government's near-term financing decisions.

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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 48 individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, and EMS Levy Fund. Information for all of the major funds is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 17 through 25 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its wastewater functions and it is considered a major fund. The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

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 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 in proprietary funds. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on pages 29 through 30 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 31 of this report.

Government-wide Financial Analysis – City of North Royalton as a Whole

As noted earlier, the Statement of Net Position and the Statement of Activities look at the City as a whole and can prove to be a useful indicator of the City's financial position. These statements include all (non-fiduciary) assets and liabilities 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
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources)
- Program expenses and revenues
- General revenues
- Net position beginning and end of year

Table 1 provides a summary of the City's net position for 2022 as compared to 2021.

	Table 1 - Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
ASSETS						
Current and other assets	\$ 39,153,879	\$ 33,207,664	\$ 11,203,850	\$ 11,750,299	\$ 50,357,729	\$ 44,957,963
Net Pension Asset	237,451	175,330	98,218	64,633	335,669	239,963
Net OPEB Asset	974,697	562,734	403,168	-	1,377,865	562,734
Capital assets, net	72,041,935	74,622,434	60,840,956	57,228,225	132,882,891	131,850,659
Total Assets	112,407,962	108,568,162	72,546,192	69,043,157	184,954,154	177,611,319
DEFERRED OUTFLOWS OF RESOURCES						
Deferral on Refunding	313,882	370,233	-	-	313,882	370,233
Pension	7,972,530	4,303,482	654,508	257,846	8,627,038	4,561,328
OPEB	1,416,467	1,832,630	9,250	103,553	1,425,717	1,936,183
Total Deferred Outflows	9,702,879	6,506,345	663,758	361,399	10,366,637	6,867,744
LIABILITIES						
Current and other liabilities	2,635,685	2,856,457	1,219,531	728,653	3,855,216	3,585,110
Long-term liabilities:						
Due within one year	2,218,340	2,343,185	1,090,533	654,814	3,308,873	2,997,999
Due in more than one year	17,604,595	19,351,967	14,123,217	12,154,969	31,727,812	31,506,936
Net Pension Liability	18,577,695	22,335,985	1,109,572	1,710,266	19,687,267	24,046,251
Net OPEB Liability	2,788,751	2,750,402	-	-	2,788,751	2,750,402
Total Liabilities	43,825,066	49,637,996	17,542,853	15,248,702	61,367,919	64,886,698
DEFERRED INFLOWS OF RESOURCES						
Property Taxes and PILOT	6,565,347	6,121,313	-	-	6,565,347	6,121,313
Leases	173,067	198,089	-	-	173,067	198,089
Pension	8,729,752	4,386,771	1,393,732	878,314	10,123,484	5,265,085
OPEB	2,187,074	2,971,830	422,236	642,019	2,609,310	3,613,849
Total Deferred Inflows of Resources	17,655,240	13,678,003	1,815,968	1,520,333	19,471,208	15,198,336
NET POSITION						
Net Investment in						
Capital Assets	54,715,796	55,772,264	45,476,326	44,746,310	100,192,122	100,518,574
Restricted	8,238,610	6,277,496	-	-	8,238,610	6,277,496
Unrestricted	(2,323,871)	(10,291,252)	8,374,803	7,889,211	6,050,932	(2,402,041)
Total Net Position	\$ 60,630,535	\$ 51,758,508	\$ 53,851,129	\$ 52,635,521	\$ 114,481,664	\$ 104,394,029

* Restated

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2022 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” The City previously adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension, OPEB, net pension asset, net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension/asset liability and the net OPEB liability to equal the City’s proportionate share of each plan’s collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since 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.

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

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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.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension/asset liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The changes Net Pension Liability, Net OPEB Liability, Net Pension Asset, Net OPEB Asset, Deferred Outflows, and Deferred Inflows are due to specific changes made within each pension system. See Notes 13 and 14 for details to changes for Net Pension and Net OPEB Liability, respectively.

As noted earlier, over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2022, the city's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$114,481,664.

Capital assets reported on the government-wide statements represent the largest portion of the City's total assets. At year-end, governmental capital assets represented 64.09 percent of total governmental assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure. Governmental capital assets, net of depreciation at December 31, 2022 was \$72,041,935. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to satisfy these liabilities.

As of December 31, 2022, and 2021, the City is able to report positive balances in net investment in capital assets, and restricted, both for the government as a whole, as well as individually for the governmental activities and business-type activities.

**CITY OF NORTH ROYALTON
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(UNAUDITED)**

Table 2 below shows the changes in net position for fiscal year 2022, with a comparative analysis to fiscal year 2021.

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022*	2021	2022*	2021	2022*	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 2,875,590	\$ 2,775,282	\$ 8,042,081	\$ 8,111,812	\$ 10,917,671	\$ 10,887,094
Operating grants and contributions	3,452,018	3,391,862	-	-	3,452,018	3,391,862
Capital grants and contributions	1,219,527	704,689	-	-	1,219,527	704,689
Total Program Revenues	7,547,135	6,871,833	8,042,081	8,111,812	15,589,216	14,983,645
General Revenues:						
Property taxes	6,012,964	5,620,910	-	-	6,012,964	5,620,910
Municipal income taxes	21,431,456	18,378,584	-	-	21,431,456	18,378,584
Other taxes	554,584	567,926	-	-	554,584	567,926
Payments in lieu of taxes	265,241	161,326	-	-	265,241	161,326
Grants and entitlements	1,235,750	1,121,593	-	-	1,235,750	1,121,593
Investment income	(4,536)	8,068	(310,895)	(268,575)	(315,431)	(260,507)
All other revenues	813,008	538,564	796,959	132,971	1,609,967	671,535
Total General Revenues	30,308,467	26,396,971	486,064	(135,604)	30,794,531	26,261,367
Total Revenues	37,855,602	33,268,804	8,528,145	7,976,208	46,383,747	41,245,012
EXPENSES						
Program Expenses:						
Security of persons and property	12,593,239	11,926,375	-	-	12,593,239	11,926,375
Public health services	302,894	278,632	-	-	302,894	278,632
Leisure time activities	1,134,697	966,716	-	-	1,134,697	966,716
Community environment	950,980	689,157	-	-	950,980	689,157
Basic utility services	1,764,119	1,677,997	-	-	1,764,119	1,677,997
Transportation	8,157,993	4,395,862	-	-	8,157,993	4,395,862
General government	3,541,631	2,714,488	-	-	3,541,631	2,714,488
Interest and fiscal charges	538,022	700,239	-	-	538,022	700,239
Wastewater	-	-	7,312,537	6,364,695	7,312,537	6,364,695
Total Expenses	28,983,575	23,349,466	7,312,537	6,364,695	36,296,112	29,714,161
Change in Net Position	8,872,027	9,919,338	1,215,608	1,611,513	10,087,635	11,530,851
Net Position - Beginning of Year, Restated	51,758,508	41,839,997	52,635,521	50,489,627	104,394,029	92,329,624
Net Position - End of Year	\$ 60,630,535	\$ 51,759,335	\$ 53,851,129	\$ 52,101,140	\$ 114,481,664	\$ 103,860,475

Governmental Activities

Several revenue sources fund our governmental activities with the City income tax being the largest contributor. Both residents of the City and non-residents who work inside the City are subject to the income tax. The City's income tax rate was 2 percent in 2022.

In November 2006, the residents of the City approved an increase to the income tax rate, effective January 1, 2007. The increase raised the tax rate from one percent to two percent, with a corresponding increase in the tax credit to 100 percent up to 1.25 percent of the amount paid to the resident's work community. Any future changes to the credit can only be affected by a majority vote of the residents.

Of the \$37,855,602 in total governmental activities revenue, income tax revenue accounts for 56.61 percent of that total. Income tax revenue increased by \$3,052,872 from 2021. This was a result of the economy opening back up from the COVID-19 pandemic and residence working from home and the requirement that income tax be based on where the employee is working.

General revenues include grants and entitlements, such as local government funds. The City monitors its source of revenues very closely for fluctuations, especially income tax. Grant and Entitlements were \$1,235,750 which is an increase of 10.18 percent.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

Charges for Services increased by \$100,308, or 3.61%, as a result of the City providing services that shut down due to the COVID-19 pandemic.

Capital grants and contributions increased by \$514,838, or 73.06%, mainly due to the \$1,000,000 County grant used for the Memorial Park Improvement Project.

Total Governmental expenses increased by \$5,634,109, or 24.13%. The change is related to the aforementioned GASB 68 and GASB 75 adjustments.

Business-Type Activities

The business-type activities of the City, which include the City's wastewater activities, increased the City's net position by \$1,215,608. The City engaged an extensive wastewater rate study which was implemented in 2018. The new rate structure is set up through 2022 to assure the financial stability of wastewater operations. The new rate structure, as well as continued cost monitoring by management, has improved, and is expected to continue to improve the financial position of the Wastewater Department.

Financial Analysis of the City's Funds

As noted earlier, the City utilizes fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental 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 City's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

As of the end of 2022, the City's governmental funds reported combined ending fund balances of \$24,764,096. Of that amount, \$6,681,460 constitutes fund balances available for the City to spend, subject to contractual or legal constraints. The City's unassigned fund balance is \$12,863,545. The City's General Fund unassigned fund balance is \$12,863,545 and is available for spending at the City's discretion. The remaining spendable fund balance in the General Fund of \$1,059,733 is committed or assigned to indicate that is only available for spending in accordance with internal restrictions on the use of the funds.

All governmental funds had total revenues including other financing sources of \$44,852,084 and expenditures including other financing uses of \$38,557,508 resulting in an increase of fund balance of \$6,294,576.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

General Fund

The General Fund is the main operating fund of the City. At the end of 2022, total fund balance for the General Fund was \$14,410,147, of which \$12,863,545 was unassigned for financial reporting purposes. The fund balance increased \$3,709,970 during 2022. This was a result of an increase income taxes and the usage of American Rescue Plan Act (ARPA) funding to pay for police and fire salaries.

Street, Construction, Maintenance, and Repair

The total fund balance was \$3,262,757, which was an increase of \$1,145,227 from 2021.

EMS Levy

The total fund balance was \$433,179, which was an increase of \$470,732 from 2021.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

All proposed budget changes are presented to City Council as a whole for their approval. The City does allow small interdepartmental budget changes that modify line items within departments within the same category and fund. The General Fund supports many of the City's activities such as the Police Department and Fire Department, as well as most legislative and executive activities. All funds are monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

During 2022, there were twelve amendments to the original appropriation ordinance that was passed in December 2021. There was an increase to the original budget due to inflationary costs that incurred during the fiscal year.

For the General Fund, original budget basis revenue, including other financing sources was \$17,613,814; final budgeted revenues were \$17,875,049. Original General Fund budgeted expenditures, including other financing uses, were \$19,696,624; final budgeted expenditures were \$20,055,975. Actual General Fund expenditures, including other financing uses, were \$18,393,974 or \$1,662,001 less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the City had \$132,882,891 invested in land, construction in progress, buildings and improvements, land improvements, machinery and equipment, furniture and fixtures, vehicles, sewer lines and infrastructure, net of accumulated depreciation. Of this total, \$72,041,935 was reported in the governmental activities and \$60,840,956 was reported in business-type activities. Governmental and Business-type activities were restated at December 31, 2021. See Note 3 for additional details.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

Table 3 shows fiscal year 2022 balances of capital assets as compared to the 2021 balances:

Table 3 - Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Land	\$ 4,586,655	\$ 4,586,655	\$ 284,026	\$ 257,026	\$ 4,870,681	\$ 4,843,681
Construction in progress	1,130,428	1,996,230	1,711,157	7,472,727	2,841,585	9,468,957
Total Non-Depreciable	5,717,083	6,582,885	1,995,183	7,729,753	7,712,266	14,312,638
Buildings and Improvements	17,332,966	17,663,424	16,820,328	7,075,573	34,153,294	24,738,997
Land Improvements	-	-	3,187,795	3,358,681	3,187,795	3,358,681
Machinery and equipment	1,436,468	1,066,364	2,507,804	2,404,017	3,944,272	3,470,381
Furniture and fixtures	28,667	13,886	-	-	28,667	13,886
Vehicles	3,818,623	2,594,130	1,301,016	1,118,591	5,119,639	3,712,721
Sewer Lines	-	-	11,869,270	12,215,420	11,869,270	12,215,420
Infrastructure:						
Pavements/Sidewalks	41,340,031	44,232,607	-	-	41,340,031	44,232,607
Traffic Signals	283,075	324,310	-	-	283,075	324,310
Storm Sewers	-	-	23,159,560	23,326,190	23,159,560	23,326,190
Culverts/bridges	2,085,022	2,144,828	-	-	2,085,022	2,144,828
Total Depreciable,						
Net of Depreciation	66,324,852	68,039,549	58,845,773	49,498,472	125,170,625	117,538,021
Total Capital Assets,						
Net of Depreciation	\$ 72,041,935	\$ 74,622,434	\$ 60,840,956	\$ 57,228,225	\$ 132,882,891	\$ 131,850,659

*Restated

The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-ways, street lighting, and traffic signals. These items are immovable and of value only to the City; however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 60.67 percent of the City's governmental capital assets.

The City's business-type capital assets increased by \$3,612,731, or 6.31 percent, as result of the City continuing the Tertiary Filter and UV Replacement project and the blower control building project. The largest asset categories of business-type asset are the storm and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's sewer lines (cost less accumulated depreciation) represents approximately 57.57 percent of the City's total business-type capital assets.

Additional information concerning the City's capital assets and significant construction commitments can be found in Note 8 and Note 9 to the financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (UNAUDITED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2022 and 2021. Table 4 summarizes the outstanding long-term obligations of the City.

Table 4 - Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
General Obligation Bonds	\$ 14,203,000	\$ 15,495,000	\$ 2,095,000	\$ 2,475,000	\$ 16,298,000	\$ 17,970,000
Special Assessment Bonds	400,000	505,000	-	-	400,000	505,000
OWDA Loans	-	-	12,650,060	9,926,903	12,650,060	9,926,903
OPWC Loan	1,169,866	1,335,656	-	-	1,169,866	1,335,656
Accrued Police and Fire Pension	76,356	80,917	-	-	76,356	80,917
Finance Payable Purchases	587,064	819,650	-	-	587,064	819,650
Claims Payable	184,162	166,575	-	-	184,162	166,575
Compensated Absences	2,162,892	2,154,988	468,690	407,880	2,631,582	2,562,868
Total Outstanding Debt	<u>\$ 18,783,340</u>	<u>\$ 20,557,786</u>	<u>\$ 15,213,750</u>	<u>\$ 12,809,783</u>	<u>\$ 33,997,090</u>	<u>\$ 33,367,569</u>

*Restated

General obligation bonds are composed of refunding series 2014 bonds, street improvements, storm sewer improvements, YMCA bonds, refunding series 2015 bonds, roadway bonds, City Hall bonds, YMCA refunding series 2021, Energy Conservation refunding series 2021, and Fire engine bonds. The special assessment bonds consist of the taxpayer portion of sewer and road improvements. OWDA and OPWC loans are composed of road improvement, wastewater treatment and sludge compost facility debt.

At December 31, 2022, the City's overall legal debt margin was \$97,915,533.

Other obligations include police and fire pension liability, financing lease purchases, claims payable, and compensated absences. Additional information concerning the City's debt can be found in Notes 15 and 16 to the financial statements.

Current Related Financial Activities

In 2020, The City of North Royalton, like many municipalities, experienced some significant uncertainty due to the global pandemic. Thankfully in 2021, the City of North Royalton began to see a rebound in income taxes which helped to contribute to the positive increase in the general fund carryover balance. That trend continued in 2022, and the City of North Royalton also began to see an increase in withholding municipal income tax due to many residents working from home (and the new requirement where employers would remit withholding income tax based on where their employee was working and not the location of the employer).

Like 2021, the City of North Royalton received monies from the American Rescue Plan Act in 2022. The City of North Royalton elected the Revenue Replacement Standard Allowance for American Rescue Plan Act revenues received. In 2021, monies received were used to offset police wages (an allowable expense), and 2022 monies received were used to offset police and fire wages (a continued allowable expense). The ability to use these monies to offset general fund police and fire wages allowed for growth of the carryover balance in the general fund for 2021 and 2022.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

Cuyahoga County awarded \$1,000,000 to the City of North Royalton in 2022 from the District 5 ARPA Community Grant Fund for the purpose of Memorial Park Improvements. The Memorial Park Improvements include a new Splash Pad and Shade Structure, upgrades to the Pond Bridge, a new Upper Pavilion, and a new All Purpose Walking Trail. The Memorial Park Improvements will be available to all members of the community to utilize.

The City of North Royalton was also awarded an additional \$250,000 from American Rescue Plan Act monies through the Ohio Department of Development Water and Wastewater Infrastructure Program Grant Agreement. This \$250,000 was expended in 2022 towards the design costs related to the B Plant Conversion Project for the Wastewater Department.

Like many other municipalities, the City of North Royalton faces uncertainty concerning Federal and State revenue sources. The City of North Royalton continually examines expenditures to reduce where possible as well as to gain efficiencies. The Administration is also reviewing 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 firm of Zupka and Associates for their involvement and support for putting together the basic financial statements.

Contacting the City of North Royalton's Finance Department

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

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 21,739,178	\$ 10,042,543	\$ 31,781,721
Cash and Cash Equivalents:			
In Segregated Accounts	20,952	-	20,952
Assets Held for Resale	35,300	-	35,300
Materials and Supplies Inventory	344,210	4,836	349,046
Accounts Receivable	381,942	1,082,551	1,464,493
Accrued Interest Receivable	34,741	22,521	57,262
Intergovernmental Receivable	1,798,705	-	1,798,705
Payments in Lieu of Taxes Receivable	471,714	-	471,714
Prepaid Items	463,229	51,399	514,628
Municipal Income Taxes Receivable	6,972,048	-	6,972,048
Property Taxes Receivable	6,387,241	-	6,387,241
Special Assessments Receivable	326,513	-	326,513
Leases Receivable	178,106	-	178,106
Net Pension Asset (Note 13)	237,451	98,218	335,669
Net OPEB Asset (Note 14)	974,697	403,168	1,377,865
Nondepreciable Capital Assets	5,717,083	1,995,183	7,712,266
Depreciable Capital Assets, net	66,324,852	58,845,773	125,170,625
Total Assets	<u>112,407,962</u>	<u>72,546,192</u>	<u>184,954,154</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	313,882	-	313,882
Pension	7,972,530	654,508	8,627,038
OPEB	1,416,467	9,250	1,425,717
Total Deferred Outflows of Resources	<u>9,702,879</u>	<u>663,758</u>	<u>10,366,637</u>
LIABILITIES			
Accounts Payable	977,242	623,786	1,601,028
Contracts Payable	-	195,136	195,136
Accrued Wages and Benefits	514,236	99,367	613,603
Intergovernmental Payable	291,369	39,053	330,422
Matured Compensated Absences Payable	2,495	-	2,495
Accrued Interest Payable	44,860	5,674	50,534
Retainage Payable	36,401	256,515	292,916
Unearned Revenue	769,082	-	769,082
Long-term Liabilities:			
Due Within One Year	2,218,340	1,090,533	3,308,873
Due In More Than One year:			
Net Pension Liability (See Note 13)	18,577,695	1,109,572	19,687,267
Net OPEB Liability (See Note 14)	2,788,751	-	2,788,751
Other Amounts Due in More Than One Year	17,604,595	14,123,217	31,727,812
Total Liabilities	<u>43,825,066</u>	<u>17,542,853</u>	<u>61,367,919</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes and PILOT	6,565,347	-	6,565,347
Leases	173,067	-	173,067
Pension	8,729,752	1,393,732	10,123,484
OPEB	2,187,074	422,236	2,609,310
Total Deferred Inflows of Resources	<u>17,655,240</u>	<u>1,815,968</u>	<u>19,471,208</u>
NET POSITION			
Net Investment in Capital Assets	54,661,698	45,476,326	100,138,024
Restricted for:			
Debt Service	951,564	-	951,564
Capital Projects	444,737	-	444,737
Police and Fire	1,488,629	-	1,488,629
Streets and Highways	5,014,523	-	5,014,523
Other Purposes	339,157	-	339,157
Unrestricted	(2,269,773)	8,374,803	6,105,030
Total Net Position	<u>\$ 60,630,535</u>	<u>\$ 53,851,129</u>	<u>\$ 114,481,664</u>

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
Security of Persons and Property	\$ 12,593,239	\$ 1,675,503	\$ 1,675,287	\$ -	\$ (9,242,449)	\$ -	\$ (9,242,449)
Public Health Services	302,894	52,445	-	-	(250,449)	-	(250,449)
Leisure Time Activities	1,134,697	71,662	26,000	1,167,011	129,976	-	129,976
Community Environment	950,980	620,301	-	-	(330,679)	-	(330,679)
Basic Utility Services	1,764,119	13,387	6,000	39,653	(1,705,079)	-	(1,705,079)
Transportation	8,157,993	59,897	1,744,731	-	(6,353,365)	-	(6,353,365)
General Government	3,541,631	382,395	-	12,863	(3,146,373)	-	(3,146,373)
Interest and Fiscal Charges	538,022	-	-	-	(538,022)	-	(538,022)
Total Governmental activities	28,983,575	2,875,590	3,452,018	1,219,527	(21,436,440)	-	(21,436,440)
Business-type activities:							
Wastewater	7,312,537	8,042,081	-	-	-	729,544	729,544
Total Business-type activities	7,312,537	8,042,081	-	-	-	729,544	729,544
Total Primary Government	\$ 36,296,112	\$ 10,917,671	\$ 3,452,018	\$ 1,219,527	(21,436,440)	729,544	(20,706,896)
General Revenues:							
Property Taxes levied for:							
General Purposes					1,428,141	-	1,428,141
Debt Service					380,832	-	380,832
Police and Fire					4,203,991	-	4,203,991
Municipal Income Taxes levied for:							
General Purposes					17,979,644	-	17,979,644
Capital Outlay					566	-	566
Other Purposes					3,451,246	-	3,451,246
Permissive Motor Vehicle Taxes					554,584	-	554,584
Payments in Lieu of Taxes					265,241	-	265,241
Grants & Entitlements not restricted to specific programs					1,235,750	-	1,235,750
Investment Income					(4,536)	(310,895)	(315,431)
Gain on Sale of Capital Assets					77,676	17,222	94,898
All Other Revenues					735,332	779,737	1,515,069
Total General Revenues					30,308,467	486,064	30,794,531
Change in Net Position					8,872,027	1,215,608	10,087,635
Net Position - Beginning of Year, Restated					51,758,508	52,635,521	104,394,029
Net Position - End of Year					\$ 60,630,535	\$ 53,851,129	\$ 114,481,664

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Street Construction, Maintenance & Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 12,051,265	\$ 2,556,730	\$ 529,720	\$ 6,601,463	\$ 21,739,178
Cash and Cash Equivalents:			-		
In Segregated Accounts	20,952	-	-	-	20,952
Asset Held for Resale	35,300	-	-	-	35,300
Materials and Supplies Inventory	38,177	306,033	-	-	344,210
Accrued Interest Receivable	27,025	-	-	7,716	34,741
Accounts Receivable	82,705	28,609	4,041	266,587	381,942
Intergovernmental Receivable	414,931	938,460	11,610	433,704	1,798,705
Prepaid Items	404,465	18,293	32,119	8,352	463,229
Municipal Income Taxes Receivable	5,792,988	1,024,969	-	154,091	6,972,048
Property Taxes Receivable	1,438,847	-	1,817,012	3,131,382	6,387,241
Special Assessments Receivable	-	-	-	326,513	326,513
Leases Receivable	-	-	-	178,106	178,106
Payments in Lieu of Taxes Receivable	-	-	-	471,714	471,714
Total Assets	\$ 20,306,655	\$ 4,873,094	\$ 2,394,502	\$ 11,579,628	\$ 39,153,879
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 436,712	\$ 430,474	\$ -	\$ 110,056	\$ 977,242
Accrued Wages and Benefits	284,153	69,144	130,804	30,135	514,236
Intergovernmental Payable	59,371	25,825	1,897	204,276	291,369
Matured Compensated Absences Payable	2,495	-	-	-	2,495
Retainage Payable	-	-	-	36,401	36,401
Unearned Revenue	769,082	-	-	-	769,082
Total Liabilities	1,551,813	525,443	132,701	380,868	2,590,825
Deferred Inflows of Resources:					
Property Taxes and PILOT	1,370,511	-	1,739,632	3,455,204	6,565,347
Leases	-	-	-	173,067	173,067
Unavailable Revenue - Delinquent Property Taxes	68,336	-	77,380	147,892	293,608
Unavailable Revenue - Income Taxes	2,586,190	459,254	-	94,881	3,140,325
Unavailable Revenue - Special Assessments	-	-	-	326,513	326,513
Unavailable Revenue - Other	319,658	625,640	11,610	343,190	1,300,098
Total Deferred Inflows of Resources	4,344,695	1,084,894	1,828,622	4,540,747	11,798,958
Fund Balances:					
Nonspendable	486,869	324,326	32,119	8,352	851,666
Restricted	-	2,938,431	401,060	3,341,969	6,681,460
Committed	551,544	-	-	3,299,612	3,851,156
Assigned	508,189	-	-	8,080	516,269
Unassigned	12,863,545	-	-	-	12,863,545
Total Fund Balances	14,410,147	3,262,757	433,179	6,658,013	24,764,096
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,306,655	\$ 4,873,094	\$ 2,394,502	\$ 11,579,628	\$ 39,153,879

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2022**

Total Governmental Funds Balance \$ 24,764,096

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 72,041,935

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

Delinquent property taxes	\$	293,608	
Municipal income taxes		3,140,325	
Special assessments		326,513	
Intergovernmental		1,187,157	
Charges for services		96,234	
Interest		16,707	
Total		5,060,544	5,060,544

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (44,860)

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

Deferred Outflows - Pension		7,972,530	
Deferred Inflows - Pension		(8,729,752)	
Net Pension Asset		237,451	
Net Pension Liability		(18,577,695)	
Deferred Outflows - OPEB		1,416,467	
Deferred Inflows - OPEB		(2,187,074)	
Net OPEB Asset		974,697	
Net OPEB Liability		(2,788,751)	
Total			(21,682,127)

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

General obligation bonds		(14,203,000)	
Special assessment bonds		(400,000)	
Police and fire pension liability		(76,356)	
OPWC loans payable		(1,169,866)	
Unamortized bond premiums		(1,039,595)	
Deferral on refunding		313,882	
Workers' compensation claims payable		(184,162)	
Financed Payable Purchases		(587,064)	
Compensated absences		(2,162,892)	
Total			(19,509,053)

Net Position of Governmental Activities **\$ 60,630,535**

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Street Construction, Maintenance & Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,402,041	\$ -	\$ 1,438,313	\$ 3,051,565	\$ 5,891,919
Municipal Income Taxes	18,386,704	3,148,548	-	373,985	21,909,237
Permissive Motor Vehicle Taxes	-	281,850	-	272,734	554,584
Franchise Taxes	222,265	-	-	186,636	408,901
Payments in Lieu of Taxes	-	-	-	265,241	265,241
Intergovernmental	758,179	1,619,968	23,220	3,548,881	5,950,248
Interest	(6,621)	-	-	(14,622)	(21,243)
Fees, Licenses, and Permits	559,287	-	-	13,167	572,454
Fines and Forfeitures	337,855	-	-	105,725	443,580
Charges for Services	238,582	-	-	1,209,275	1,447,857
Contributions and Donations	1,977	-	-	-	1,977
Special Assessments	-	-	-	124,972	124,972
Leases Revenue	-	-	-	25,022	25,022
All Other Revenues	324,473	52,492	6,452	439,082	822,499
Total Revenues	<u>22,224,742</u>	<u>5,102,858</u>	<u>1,467,985</u>	<u>9,601,663</u>	<u>38,397,248</u>
EXPENDITURES					
Security of Persons and Property	4,783,233	74,465	3,176,940	6,238,016	14,272,654
Public Health Services	213,587	-	-	79,315	292,902
Leisure Time Activities	875,353	-	-	124,814	1,000,167
Community Environment	1,151,876	-	-	12,889	1,164,765
Basic Utility Services	1,728,143	-	-	39,488	1,767,631
Transportation	99,749	2,958,164	-	87,053	3,144,966
General Government	3,671,800	-	-	18,392	3,690,192
Capital Outlay	309,641	1,846,510	-	2,309,697	4,465,848
Debt Service:					
Principal Retirement	138,014	-	-	1,661,923	1,799,937
Interest and Fiscal Charges	8,716	-	-	580,151	588,867
Total Expenditures	<u>12,980,112</u>	<u>4,879,139</u>	<u>3,176,940</u>	<u>11,151,738</u>	<u>32,187,929</u>
Excess of Revenues (Under) Expenditures	<u>9,244,630</u>	<u>223,719</u>	<u>(1,708,955)</u>	<u>(1,550,075)</u>	<u>6,209,319</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	40	71,508	1,687	12,022	85,257
Transfers In	-	850,000	2,178,000	3,341,579	6,369,579
Transfers Out	(5,534,700)	-	-	(834,879)	(6,369,579)
Total Other Financing Sources (Uses)	<u>(5,534,660)</u>	<u>921,508</u>	<u>2,179,687</u>	<u>2,518,722</u>	<u>85,257</u>
Net Change in Fund Balances	3,709,970	1,145,227	470,732	968,647	6,294,576
Fund Balances (Deficit) - Beginning of Year	10,700,177	2,117,530	(37,553)	5,689,366	18,469,520
Fund Balances - End of Year	<u>\$14,410,147</u>	<u>\$3,262,757</u>	<u>\$ 433,179</u>	<u>\$ 6,658,013</u>	<u>\$ 24,764,096</u>

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, 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, 2022**

Net Change in Fund Balances-Total Governmental Funds \$ 6,294,576

Amounts reported for governmental activities in the Statement of Activities are different because:

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 depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 1,695,553	
Depreciation	(4,205,175)	
Total		(2,509,622)

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.

(70,877)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	121,045	
Municipal income taxes	(477,781)	
Special assessments	(104,418)	
Intergovernmental	(65,484)	
Charges for services	(46,095)	
Accrued interest	16,707	
Total		(556,026)

Repayment of various debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

1,799,937

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows

Pension		2,134,977
OPEB		41,281

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension expense in the statement of activities.

Pension		1,011,501
OPEB		700,926

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(7,904)	
Accrued interest on bonds	9,425	
Workers' compensation claims payable	(17,587)	
Amortization of bond premiums	97,771	
Amortization of loss on refunding	(56,351)	
Total		25,354

Change in Net Position of Governmental Activities

\$ 8,872,027

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,402,041	\$ 52,041
Municipal Income Taxes	14,000,000	14,000,000	17,086,032	3,086,032
Other Taxes	70,000	70,000	78,196	8,196
Intergovernmental	672,964	672,964	746,027	73,063
Interest	50,000	50,000	115,258	65,258
Fees, Licenses and Permits	565,350	565,350	406,904	(158,446)
Fines and Forfeitures	281,200	281,200	278,127	(3,073)
Charges for Services	259,300	282,941	235,887	(47,054)
Contributions and Donations	10,000	10,000	1,977	(8,023)
All Other Revenues	355,000	445,094	329,269	(115,825)
Total Revenues	17,613,814	17,727,549	20,679,718	2,952,169
Expenditures:				
Current:				
Security of Persons and Property	7,000,363	5,809,539	4,974,412	835,127
Public Health & Services	223,024	249,574	215,333	34,241
Leisure Time Activities	834,186	950,886	896,695	54,191
Community Environment	1,359,888	1,290,683	1,055,131	235,552
Basic Utility Services	1,830,000	1,930,000	1,929,465	535
Transportation	133,086	134,436	85,603	48,833
General Government	3,228,754	3,639,734	3,244,995	394,739
Capital Outlay	223,123	399,423	340,910	58,513
Debt Service	147,000	147,000	146,730	270
Total Expenditures	14,979,424	14,551,275	12,889,274	1,662,001
Excess of Revenues Over (Under) Expenditures	2,634,390	3,176,274	7,790,444	4,614,170
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	40	40
Advances In	-	147,500	147,500	-
Transfers In	-	-	2,000	2,000
Transfers Out	(4,717,200)	(5,504,700)	(5,504,700)	-
Total Other Financing Sources (Uses)	(4,717,200)	(5,357,200)	(5,355,160)	2,040
Net Change in Fund Balance	(2,082,810)	(2,180,926)	2,435,284	4,616,210
Fund Balance Beginning of Year	7,334,685	7,334,685	7,334,685	-
Prior Year Encumbrances	422,618	422,618	422,618	-
Fund Balance End of Year	\$ 5,674,493	\$ 5,576,377	\$ 10,192,587	\$ 4,616,210

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$ 2,400,000	\$ 2,400,000	\$ 3,027,664	\$ 627,664
Intergovernmental	2,286,000	2,286,000	1,904,864	(381,136)
Interest	5,000	5,000	-	(5,000)
Charges for Services	-	-	11,275	11,275
All Other Revenues	20,000	20,000	39,708	19,708
Total Revenues	<u>4,711,000</u>	<u>4,711,000</u>	<u>4,983,511</u>	<u>272,511</u>
Expenditures:				
Current:				
Security of Persons and Property	90,000	90,000	74,464	15,536
Transportation	3,425,884	3,773,066	3,142,171	630,895
Capital Outlay	2,824,899	2,743,389	2,626,499	116,890
Total Expenditures	<u>6,340,783</u>	<u>6,606,455</u>	<u>5,843,134</u>	<u>763,321</u>
Excess of Revenues Over (Under) Expenditures	(1,629,783)	(1,895,455)	(859,623)	1,035,832
Other Financing Sources				
Sale of Capital Assets	20,000	20,000	44,408	24,408
Transfers In	700,000	850,000	850,000	-
Total Other Financing Sources	<u>720,000</u>	<u>870,000</u>	<u>894,408</u>	<u>24,408</u>
Net Change in Fund Balance	(909,783)	(1,025,455)	34,785	1,060,240
Fund Balance Beginning of Year	872,027	872,027	872,027	-
Prior Year Encumbrances	719,883	719,883	719,883	-
Fund Balance End of Year	<u>\$ 682,127</u>	<u>\$ 566,455</u>	<u>\$ 1,626,695</u>	<u>\$ 1,060,240</u>

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 EMS LEVY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,435,000	\$ 1,435,000	\$ 1,438,313	\$ 3,313
Intergovernmental	30,000	30,000	23,220	(6,780)
All Other Revenues	15,000	15,000	2,478	(12,522)
Total Revenues	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,464,011</u>	<u>(15,989)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,541,825	3,736,850	3,261,528	475,322
Total Expenditures	<u>3,541,825</u>	<u>3,736,850</u>	<u>3,261,528</u>	<u>475,322</u>
Excess of Revenues Over (Under) Expenditures	(2,061,825)	(2,256,850)	(1,797,517)	459,333
Other Financing Sources				
Sale of Capital Assets	-	-	1,687	1,687
Transfers In	2,000,000	2,178,000	2,178,000	-
Total Other Financing Sources	<u>2,000,000</u>	<u>2,178,000</u>	<u>2,179,687</u>	<u>1,687</u>
Net Change in Fund Balance	(61,825)	(78,850)	382,170	461,020
Fund Balance Beginning of Year	79,912	79,912	79,912	-
Prior Year Encumbrances	19,025	19,025	19,025	-
Fund Balance End of Year	<u>\$ 37,112</u>	<u>\$ 20,087</u>	<u>\$ 481,107</u>	<u>\$ 461,020</u>

See accompanying notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022**

	<u>Sanitary Sewer Fund</u>
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,042,543
Materials and Supplies Inventory	4,836
Accrued Interest Receivable	22,521
Accounts Receivable	695,051
Prepaid Items	51,399
<i>Total Current Assets</i>	<u>10,816,350</u>
Noncurrent Assets:	
Net Pension Asset	98,218
Net OPEB Asset	403,168
Accounts Receivable	387,500
Capital Assets:	
Land	284,026
Construction in Progress	1,711,157
Depreciable Assets, Net of Depreciation	58,845,773
<i>Total Noncurrent Assets</i>	<u>61,729,842</u>
Total Assets	<u>72,546,192</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	654,508
OPEB	9,250
Total Deferred Outflows of Resources	<u>663,758</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	623,786
Accrued Wages and Benefits	99,367
Contracts Payable	195,136
Retainage Payable	256,515
Intergovernmental Payable	39,053
Accrued Interest Payable	5,674
Compensated Absences Payable	113,719
General Obligation Bonds Payable	375,000
OWDA Loans Payable	601,814
<i>Total Current Liabilities</i>	<u>2,310,064</u>
Noncurrent Liabilities:	
Compensated Absences Payable	354,971
General Obligation Bonds Payable	1,720,000
OWDA Loans Payable	12,048,246
Net Pension Liability	1,109,572
<i>Total Noncurrent Liabilities</i>	<u>15,232,789</u>
Total Liabilities	<u>17,542,853</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	1,393,732
OPEB	422,236
Total Deferred Inflows of Resources	<u>1,815,968</u>
NET POSITION	
Investment in Capital Assets	45,476,326
Unrestricted	8,374,803
Total Net Position	<u>\$ 53,851,129</u>

See accompany notes to the basic financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Sanitary Sewer Fund
OPERATING REVENUES	
Charges for Services	\$ 8,042,081
Miscellaneous	779,737
Total Operating Revenues	<u>8,821,818</u>
 OPERATING EXPENSES	
Personal Services	3,143,650
Materials and Supplies	795,666
Contractual Services	1,225,678
Depreciation	2,147,543
Total Operating Expense	<u>7,312,537</u>
Operating Income	<u>1,509,281</u>
 NONOPERATING REVENUES (EXPENSES)	
Gain on Sale of Capital Assets	24,028
(Loss) on Sale of Capital Assets	(6,806)
Interest	(866)
Interest and Fiscal Charges	(310,029)
Total Nonoperating (Expenses)	<u>(293,673)</u>
 Change in Net Position	1,215,608
Net Position - Beginning of Year, Restated	<u>52,635,521</u>
Net Position - End of Year	<u>\$ 53,851,129</u>

See accompany notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Sanitary Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	\$ 8,077,584
Cash Received from Other Operating Receipts	790,184
Cash Payments to Employees for Services	(3,088,983)
Cash Payments for Goods and Services	(2,824,500)
Net Cash Provided by Operating Activities	2,954,285
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Debt	(972,263)
Interest Paid on Debt	(298,013)
Payments for Capital Acquisitions	(2,858,610)
Proceeds from Sale of Capital Assets	101,528
Net Cash (Used for) Capital and Related Financing Activities	(3,193,432)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	(6,140)
Net Cash (Used For) Investing Activities	(6,140)
Net Decrease in Cash and Cash Equivalents	(245,287)
Cash and Cash Equivalents - Beginning of Year	10,287,830
Cash and Cash Equivalents - End of Year	\$ 10,042,543
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 1,509,281
Adjustments:	
Depreciation	2,147,543
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	45,950
Materials and Supplies Inventory	196
Prepaid Items	(24,653)
Net Pension Asset	(33,585)
Net OPEB Asset	(195,725)
Deferred Outflows of Resources - Pension	(396,662)
Deferred Outflows of Resources - OPEB	94,303
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(412,412)
Contracts Payable	195,136
Accrued Wages and Benefits	9,779
Retainage Payable	256,515
Intergovernmental Payable	2,868
Compensated Absences Payable	60,810
Net Pension Liability	(600,694)
Deferred Inflows of Resources - Pension	515,418
Deferred Inflows of Resources - OPEB	(219,783)
Net Cash Provided by Operating Activities	\$ 2,954,285
<u>Schedule of Noncash Investing, Capital and Related Financing Activities</u>	
Net impact of accruals related to capital assets	\$ 265,619
Loan Proceeds related to capital projects	3,315,420

See accompanying notes to the basic financial statements

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2022**

	<u>Custodial Funds</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 3,335
Total Assets	<u>3,335</u>
NET POSITION	
Restricted For:	
Individuals, Organizations, and Other Governments	3,335
Total Net Position	<u>\$ 3,335</u>

See accompany notes to the basic financial statements.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUND
 DECEMBER 31, 2022**

	Custodial Funds
ADDITIONS	
Licenses, Permits, & Fees Distributions for Other Governments	5,222
Total Additions	5,222
 DEDUCTIONS	
Licenses, Permits, & Fees Distributions to Other Governments	10,977
Total Deductions	10,977
 Net (Decrease) in Fiduciary Net Position	 (5,755)
 Net Position - Beginning of Year	 9,090
Net Position - End of Year	\$ 3,335

See accompany notes to the basic financial statements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1: THE 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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City, in order to provide the necessary services to its citizens, is segmented into many different departments. Among these are the police, fire fighting, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, and general administrative staff to provide support to these service groups. The operation and control of each of these activities is directly provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

The Mayor’s Court (the “Court”), which provides judicial services, is responsible for the levying and collecting of fines and forfeitures under state and local laws, and their subsequent distribution to various government agencies. The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City’s share of the fines collected by the Court, along with its share of the Court’s administrative and operating costs, is recorded in the City’s General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself.

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 deficits of, or provide financial support to, 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 the levying of taxes. The City has no component units.

The City is associated with five jointly governed organizations and one insurance pool. These jointly governed organizations include, the Southwest Council of Governments, Regional Income Tax Agency, Northeast Ohio Public Energy Council, Southwest Regional Communications, and Parma Community General Hospital Association. This relationship is described in Note 10 to the basic financial statements. The insurance pool is the Ohio Government Benefit Cooperative as described in Note 21.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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.

A. 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 activities.

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 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-type 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 governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. 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 Funds – Governmental funds are those through which most governmental functions typically 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 liabilities is reported as fund balance. The following are the City’s major governmental funds:

General Fund – The General Fund accounts for all financial resources except those required to be accounted for 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 Fund – This fund is required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees for maintenance and repair of streets within the City. Additionally, per the codified ordinances of the City, the fund receives a portion of income tax revenue for the same purpose.

EMS Levy Fund – This fund accounts for 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 to a particular purpose.

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 has no internal service funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

The City's major enterprise fund is:

Sanitary Sewer Fund – This fund is used to account for revenues and expenses relating to the operation and maintenance of the City's wastewater treatment plant and sludge composting facility ("WWTP"); to account for revenues and expenses relating to the debt payment of the Wastewater Department, specifically of the OWDA loans; and to account for revenues and expenses relating to the maintenance of the sewer lines and major equipment repairs and replacements of the wastewater plants and sludge composting facility.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Custodial funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's custodial fund accounts for the building code fees due to other governments.

C. **Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position, except for fiduciary funds.

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 current liabilities generally are 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus** (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic 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 inflows and outflows 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. Available period for the City is 60 days after 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 fiscal 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 (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

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

Unearned revenue arises when assets are recognized before the revenue recognition criteria has been satisfied. The City recorded unearned revenue related to building deposits

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 position 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 a deferral on refunding, pension and OPEB. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

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 position 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, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations.

These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. 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, municipal income taxes, special assessments, intergovernmental grants, interest and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 13 and 14).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time 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 governmental funds.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Pooled 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 the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City's policy is to hold investments until maturity or until market values equal or exceed cost. Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue has been properly credited to the respective funds in 2022.

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

The City has invested in the State Treasury Asset Reserve of Ohio (STAROhio), Municipal Bonds, negotiable CDs, U.S. Treasury Notes, and money market during 2022. The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2022, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Interest revenue credited to the General Fund during fiscal year 2022 amounted to (\$6,621). The amount allocated from the other funds during fiscal year 2022 amounted to \$5,164.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Materials and Supplies Inventory

Inventories for all governmental funds are valued at cost using the first-in/first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a non-spendable fund balance which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at cost using the first-in/first-out method and expensed when used rather than when purchased.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022 are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$10,000 and a salvage value of 5 percent of the historical cost. The City's infrastructure consists of roads, water mains, storm sewers, sewer lines, culverts, traffic signals and bridges. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the estimated 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 replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	50 years	50 years
Land Improvements	20 years	20 years
Machinery and Equipment	10 years	10 years
Furniture and Fixtures	15 years	15 years
Vehicles	3-20 years	3-20 years
Infrastructure	20-50 years	20-50 years

I. **Interfund Balances**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivable/payable.” 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.

J. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the City’s termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

The entire compensated absences liability is reported on the government-wide financial statements. A liability for the amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Pensions/Other Postemployment Benefits

For purposes of measuring the net pension liability/(asset) and net 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. 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, claims and judgments, compensated absences and net pension liability 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 year. Bonds, finance lease purchases 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 for payment of those benefits.

M. 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:

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.

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).

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. **Fund Balance** (Continued)

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 a formal action (ordinance) 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) 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. 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. The Finance Director is the City’s delegated official.

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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

N. **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Net Position** (Continued)

The government-wide Statement of Net Position reports \$8,238,610 of restricted net position, none of which is restricted by enabling legislation. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

O. **Asset Held for Resale**

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Assets that 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.

P. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. **Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 non-operating 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 basic financial statements.

R. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City did not have any Extraordinary or special items.

S. **Estimates**

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

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

T. 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 ordinance, 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 ordinance 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 control has been established by Council at the major object level by department for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. The certificate of estimated resources may be amended during the year if projected increases or decreases in revenues are identified by the Director of Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2022. The appropriation is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as part of restricted, committed, or assigned fund balances for subsequent-year expenditures of governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

A. Changes in Accounting Principles

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements and Implementation Guides:

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the City.

GASB Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implication that result from the replacement of an IBOR. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this Statement did not have an effect on the financial statements of the City.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (Continued)

A. Changes in Accounting Principles (Continued)

GASB Statement No. 87, *Leases* and GASB Implementation Guide 2019-3, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. These changes were incorporated in the City's fiscal year 2022 financial statements. The City recognized \$198,089 in governmental activities in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflow of resources – leases and did not impact the beginning net position/fund balance.

B. Restatement of Net Position

In 2022, the City passed legislation to increase their capitalization threshold from \$1,000 to \$10,000 and implemented a salvage value of 5 percent for all capitalized assets. Below is the effect of these changes that were implemented during 2022.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position December 31, 2021	\$ 51,759,335	\$ 52,101,140
Adjustments:		
Capital Assets	<u>(827)</u>	<u>534,381</u>
Restated Net Position December 31, 2021	<u>\$ 51,758,508</u>	<u>\$ 52,635,521</u>

	<u>Sanitary Sewer Fund</u>
Net Position December 31, 2021	\$ 52,101,140
Adjustments:	
Capital Assets	<u>534,381</u>
Restated Net Position December 31, 2021	<u>\$ 52,635,521</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the accrual basis as required by generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund, and the Street Construction, Maintenance and Repair Fund 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
- (d) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The table on the following page summarizes the adjustments necessary to reconcile the net change in fund balance per the GAAP basis statements to the budgetary basis statements for the General Fund, Street Construction, Maintenance and Repair Fund, and EMS Levy Fund.

	General Fund	Street Construction, Maintenance, & Repair	EMS Levy Fund
GAAP Basis	\$ 3,709,970	\$ 1,145,227	\$ 470,732
Increase (Decrease) Due to:			
Revenue Accruals	(360,990)	(146,447)	(3,974)
Expenditure Accruals	(264,291)	(33,960)	(35,975)
Outstanding Encumbrances	(579,401)	(930,035)	(48,613)
To Reclassify the Net Change in Fund Balance for Funds combined with the General Fund for GASB Statement No. 54	(70,004)	-	-
Budget Basis	<u>\$ 2,435,284</u>	<u>\$ 34,785</u>	<u>\$ 382,170</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. Investments are separately held by a number of individual funds. State statutes require the classification of funds held by the City into three categories:

Active funds are those funds required to be kept in “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

Inactive funds are those funds not required for use within the current five-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no 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 funds are those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed 30 days;
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;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two sections and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Bankers’ acceptances and commercial paper, if training requirements have been met.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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. At year-end, the City had \$5,050 of cash on hand.

Deposits

At December 31, 2022, the carrying amount of the City's deposits was \$11,035,207 (including petty cash and segregated accounts of \$5,050 and \$20,952, respectively) and the bank balance was \$11,382,263. Of the City's bank balance, \$500,000 was covered by FDIC. \$10,882,263 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name. The remaining \$3,228,454 as uninsured and uncollateralized at year-end. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond 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. All of the City's financial institutions had enrolled in OPCS as of December 31, 2022.

Investments

The City has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment policy. At December 31, 2022, fair value was \$275,473 below the City's net cost for investments.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. 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 following table identifies the City's recurring fair value measurement as of December 31, 2022. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the City are 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 arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, 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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All financial institutions and brokers/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed. The City's investments in negotiable certificates of deposit were insured by Federal Depository Insurance in the amount of \$2,105,749.

Credit risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The credit risk of the City's investments are in the table on the following page.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The City's investments in US Treasury Notes, Star Ohio, negotiable certificates of deposit, Money Market, and Municipal Bonds represent 48.34, 36.42, 10.14, 2.76, and 2.34 percent, respectively of the City's total investments.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Investment Type	Fair- Value	Credit Rating (*)	Investment Maturities (in Years)	
			<1	1-3
Negotiable CD	\$ 2,105,749	N/A	\$ 1,174,522	\$ 931,227
Municipal Bond	485,029	Aaa	485,029	-
Money Markets	573,367	AAAm	573,367	-
STAR Ohio	7,562,853	AAAm	7,562,853	-
US Treasury Notes	10,038,753	Aaa	1,450,876	8,587,877
Total Investments	20,765,751		\$ 11,246,647	\$ 9,519,104
Carrying Amount of Deposits	11,035,207			
Petty Cash	5,050			
Total	\$ 31,806,008			

* Credit Ratings were obtained from Moody's, respectively, for all investments except STAR Ohio which was obtained from Standard & Poor.

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2022 consisted primarily of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, accounts, and special assessments. No allowance for doubtful accounts has been recorded as uncollectible amounts are expected to be insignificant.

A. **Property Taxes**

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections for 2021 taxes. Property tax payments received during 2022 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Fiscal Officer at 35 percent of the appraised market value, and reappraisal of all property is required every six years. The last reevaluation was completed for tax year 2021 affecting collections beginning in 2022.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid-January with the remainder payable by mid-July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, state statute permits earlier or later payment dates to be established.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 6: **RECEIVABLES** (Continued)

A. **Property Taxes** (Continued)

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. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of North Royalton. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2022, was \$8.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which the 2020 property tax receipts were based are as follows:

Real Estate:	
Residential/Agricultural	\$ 882,736,450
Other	159,506,670
Public Utilities	<u>29,518,280</u>
Total Valuation	<u>\$ 1,071,761,400</u>

B. **Municipal Income Taxes**

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 1 percent of income tax collections are credited to the following funds: \$200,000 per year to the Police Facility Operations Fund and \$175,000 to the Office on Aging 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 60 percent to the General Fund, up to 40 percent to the Street Construction, Maintenance and Repair Fund.

C. **Special Assessments**

Special assessments include annually assessed service assessments and assessments for debt obligations. Service type special assessments are levied against all property owners which benefit from the provided service while special assessments for debt obligations are levied against specific property owners who primarily benefited from the project. Special assessments are payable by the timetable and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 6: **RECEIVABLES** (Continued)

C. **Special Assessments** (Continued)

The City's service assessments include water mains, sewer maintenance, and sewer rehabilitation which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year. Since all assessment collections are remitted to the City outside of the available period, the entire amount has been deferred on the fund financial statements.

Special assessments expected to be collected amount to \$326,513 in the Special Assessment Retirement Fund. At December 31, 2022, the amount of delinquent special assessments was \$13,754.

D. **Intergovernmental**

A summary of items within intergovernmental receivables as follows:

<u>Governmental Activities</u>	
Homestead & Rollback	\$ 297,654
Local Government	318,000
Gasoline Tax	863,550
Auto Registration	151,002
Permissive Tax	18,868
Sprague Road	84,672
Forfeitures	7,439
Grants	26,000
TIF	471,714
Charges for Services	31,520
Total	<u>\$ 2,270,419</u>

E. **Lease**

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. The table below shows the future principal and interest payments to be made to the City.

<u>For the fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	19,541	5,839	25,380
2024	20,182	5,198	25,380
2025	25,920	4,537	30,457
2026	26,770	3,687	30,457
2027	27,648	2,809	30,457
2028-2029	58,044	2,869	60,914
Total	<u>178,106</u>	<u>24,939</u>	<u>203,045</u>

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 7: **INTERFUND TRANSACTIONS**

A. **Transfers**

Interfund transfers in the fund financial statements for the year ended December 31, 2022, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 5,534,700
Street Construction	850,000	-
EMS Levy	2,178,000	-
Other Governmental	<u>3,341,579</u>	<u>834,879</u>
Total	<u>\$ 6,369,579</u>	<u>\$ 6,369,579</u>

The transfers from the Other Governmental Funds to the General Bond Retirement fund for payment of debt out of the General Bond Retirement fund were \$834,879. The General Fund transferred \$745,000 into the General Bond Retirement fund for repayment of debt. The General fund transferred \$590,000 into the Police Facility Operating fund to support the operation of the City’s jail center. The General fund transferred \$2,178,000 into the EMS Levy fund to support EMS services provided by the City. Street Construction, Repairs, and Maintenance fund received a transfer in of \$850,000 from the General Fund to support the road construction projects for 2022. The General Fund transferred \$376,500 and \$629,000 to the Police and Fire pensions, respectively, to cover the employer costs of pensions. The General Fund transferred \$37,200 to the Enterprise Zone fund to fund costs incurred during the year.

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**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2022 follows:

	Restated Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,586,655	\$ -	\$ -	\$ 4,586,655
Construction in Progress	1,996,230	1,534,195	(2,399,997)	1,130,428
<i>Total Capital Assets Not Being Depreciated</i>	<u>6,582,885</u>	<u>1,534,195</u>	<u>(2,399,997)</u>	<u>5,717,083</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	26,272,094	356,355	-	26,628,449
Machinery and Equipment	2,471,582	554,018	(57,366)	2,968,234
Furniture and Fixtures	33,612	16,340	-	49,952
Vehicles	5,977,878	1,634,642	(165,084)	7,447,436
Infrastructure:				
Pavements/Sidewalks	89,648,407	-	-	89,648,407
Traffic Signals	3,091,751	-	-	3,091,751
Culverts/bridges	3,273,470	-	-	3,273,470
<i>Total Capital Assets Being Depreciated</i>	<u>130,768,794</u>	<u>2,561,355</u>	<u>(222,450)</u>	<u>133,107,699</u>
<i>Total Capital Assets at Cost</i>	<u>137,351,679</u>	<u>4,095,550</u>	<u>(2,622,447)</u>	<u>138,824,782</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(8,608,670)	(686,813)	-	(9,295,483)
Machinery and Equipment	(1,405,218)	(153,414)	26,866	(1,531,766)
Furniture and Fixtures	(19,726)	(1,559)	-	(21,285)
Vehicles	(3,383,748)	(369,772)	124,707	(3,628,813)
Infrastructure:				
Pavements/Sidewalks	(45,415,800)	(2,892,576)	-	(48,308,376)
Traffic Signals	(2,767,441)	(41,235)	-	(2,808,676)
Culverts/bridges	(1,128,642)	(59,806)	-	(1,188,448)
<i>Total Accumulated Depreciation</i>	<u>(62,729,245)</u>	<u>(4,205,175)*</u>	<u>151,573</u>	<u>(66,782,847)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>68,039,549</u>	<u>(1,643,820)</u>	<u>(70,877)</u>	<u>66,324,852</u>
Total Governmental Activities Capital Asset, Net	<u>\$ 74,622,434</u>	<u>\$ (109,625)</u>	<u>\$ (2,470,874)</u>	<u>\$ 72,041,935</u>

*Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 463,394
Public Health	30,533
Leisure Time Activities	290,316
Transportation	3,114,071
General Government	296,673
Community Environment	10,188
Total Depreciation Expense	<u>\$ 4,205,175</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 8: CAPITAL ASSETS (Continued)

	Restated Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Business-Type Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 257,026	\$ 27,000	\$ -	\$ 284,026
Construction in Progress	7,472,727	4,883,078	(10,644,648)	1,711,157
<i>Total Capital Assets Not Being Depreciated</i>	<u>7,729,753</u>	<u>4,910,078</u>	<u>(10,644,648)</u>	<u>1,995,183</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	10,680,685	10,079,855	-	20,760,540
Land Improvements	16,575,026	-	-	16,575,026
Machinery and Equipment	12,081,398	379,118	(136,118)	12,324,398
Vehicles	2,620,992	477,884	-	3,098,876
Sewer Lines	20,424,176	41,845	-	20,466,021
Storm Sewers	36,293,581	522,948	-	36,816,529
<i>Total Capital Assets Being Depreciated</i>	<u>98,675,858</u>	<u>11,501,650</u>	<u>(136,118)</u>	<u>110,041,390</u>
<i>Total Capital Assets at Cost</i>	<u>106,405,611</u>	<u>16,411,728</u>	<u>(10,780,766)</u>	<u>112,036,573</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(3,605,112)	(335,100)	-	(3,940,212)
Land Improvements	(13,216,345)	(170,886)	-	(13,387,231)
Machinery and Equipment	(9,677,381)	(268,525)	129,312	(9,816,594)
Vehicles	(1,502,401)	(295,459)	-	(1,797,860)
Sewer Lines	(8,208,756)	(387,995)	-	(8,596,751)
Storm Sewers	(12,967,391)	(689,578)	-	(13,656,969)
<i>Total Accumulated Depreciation</i>	<u>(49,177,386)</u>	<u>(2,147,543)</u>	<u>129,312</u>	<u>(51,195,617)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>49,498,472</u>	<u>9,354,107</u>	<u>(6,806)</u>	<u>58,845,773</u>
Total Business-Type Activities Capital Asset, Net	<u>\$ 57,228,225</u>	<u>\$ 14,264,185</u>	<u>\$ (10,651,454)</u>	<u>\$ 60,840,956</u>

NOTE 9: CONSTRUCTION COMMITMENTS AND OTHER SIGNIFICANT COMMITMENTS

At December 31, 2022, the City had the following significant commitments with respect to capital projects:

Project	Remaining Contract
Baseball Lighting Project	\$ 134,072
Memorial Park Splash Pad/Structure	163,543
Sprague Road Resurfacing	129,176
Valley Lane Force Main & Relocation	67,340
Valley Visa Pump Station	36,100
Nottingham Remote Pump Station	47,599
WWTP Plant A	40,803
Plant B Conversion Project	1,883,950
Total All Projects	<u>\$ 2,502,583</u>

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 9: CONSTRUCTION COMMITMENTS AND OTHER SIGNIFICANT COMMITMENTS
 (Continued)

Other significant commitments include the encumbrances outstanding at year-end. The amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Fund	Amount
General Fund	\$ 579,401
Street Construction, Maintenance and Repair	930,035
EMS Levy	48,613
Nonmajor Governmental Funds	660,942
	\$ 2,218,991

NOTE 10: JOINTLY GOVERNED ORGANIZATIONS

Southwest Council of Governments

The Southwest Council of Governments (“SCG”) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. SCG’s Board is comprised of one member from each of the 20 participating entities. The Board exercises total control over the operation of SCG including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City’s degree of control is limited to its representations on the Board. In 2022, the City contributed \$22,500.

SCG has established two subsidiary organizations:

- 1) Southwest Emergency Response Team (SERT), which provides hazardous material response technical rescue response (land and water), fire investigation unit, drone team and an incident management team
- 2) Southwest Enforcement Bureau (SEB), which provides extra assistance to cities in the form of a Special Weapons and Tactics Team (“SWAT Team”).

SCG’s financial statements may be obtained by contacting the Southwest Council of Governments, 16099 Foltz Parkway, Strongsville, Ohio 44149.

Regional Income Tax Agency

In 1971, thirty-eight municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 360 municipalities throughout the State of Ohio. The City was one of the original members of RCOG. Financial information may be obtained by writing to RITA, 10107 Brecksville Road, Brecksville, Ohio, 44141.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 10: **JOINTLY GOVERNED ORGANIZATION** (Continued)

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 2022, the City of North Royalton contributed \$36,633. Financial information may be obtained by contacting Martin S. Healy, 17401 Holland Road, Brook Park, Ohio 44142, or by email at healymswcc@gmail.com.

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.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 10: **JOINTLY GOVERNED ORGANIZATION** (Continued)

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 and natural gas. NOPEC is currently comprised of 240 communities who have been authorized by ballot to purchase electricity and/or gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and gas to 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 twelve-member NOPEC Board of Directors. In 2022, the City made no contributions. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating community is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, the Board Chairman, at 31320 Solon Road, Suite 20, Solon, Ohio 44139, or at the website www.nopecinfo.org.

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**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 11: **RISK MANAGEMENT**

A. **Property and Liability**

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.

During 2022, the City contracted with several companies for various types of insurance as follows:

<u>Company Name and Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Travelers Insurance		
Commercial General Liability	\$1,000,000/\$3,000,000	No deductible
Commercial Automobile Liability	\$1,000,000	No deductible
Automobile Physical Damage	Actual Cash Value/Agree Value	\$ 1,000/\$ 1,000
	Automobile Liability	
Property Coverage	\$96,014,951	\$10,000
Electronic Data Processing	Included in Property Coverage	\$1,000
Public Officials Liability	\$1,000,000/\$2,000,000	\$7,500
EPLI	\$1,000,000/\$2,000,000	\$10,000
Law Enforcement Liability	\$1,000,000/\$2,000,000	\$10,000
Crime Coverage - Employee Theft	\$100,000	\$1,000
Umbrella Liability	\$10,000,000	\$ 10,000 SIR
Inland Marine Coverage	\$4,089,518	\$1,000
Blanket Position Bond	\$100,000	\$1,000
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Ohio Stop Gap Liability	\$1,000,000	No deductible
Sewer Backup	1,000,000	No deductible
	General Liability	
Flood/Earthquake	\$3,000,000	\$50,000
Boiler and Machinery	\$96,014,951	\$10,000
Property and Casualty Terrorism Coverage (Act of 2002)	Included in Property and General Liability	
Cyber Insurance	\$1,500,000	\$15,000
Effective 7/1/2021 - 7/1/2022		
Merchants Bonding Company:		
Individual Public Employees Bonds:		
Mayor	\$50,000	No deductible
Director of Finance	\$50,000	No deductible
Cincinnati Insurance Company		
Individual Public Employees Bonds:		
Police Chief	\$25,000	No deductible

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

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 11: **RISK MANAGEMENT** (Continued)

B. 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 \$184,162 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 current claims liability amount for the fiscal year ended December 31, 2020, 2021, and 2022 were:

	Beginning of Year <u>Liability</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at <u>Year-End</u>
2020	\$ 70,060	\$ 109,384	\$ (13,345)	\$ 166,099
2021	166,099	8,333	(7,857)	166,575
2022	166,575	82,543	(64,956)	184,162

NOTE 12: **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 half of actual hours worked.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS**

A. **Net Pension Liability/Asset**

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

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

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

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

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

**CITY OF NORTH ROYALTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Cost-of-living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

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 members' contributions plus or minus the investment gains or losses resulting from the members' 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 purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), 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.

Beginning in 2022, the combined plan will be consolidated under the traditional plan (defined benefit plan) and the combined plan will no longer be available for new hires beginning in 2022.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2022 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

* Member contributions within 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 remainder going to pension.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2022 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contributions was \$1,039,032 for fiscal year ending December 31, 2022. Of this amount, \$126,868 is reported as an intergovernmental payable.

C. Plan Description – 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 may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

C. Plan Description – Ohio Police & Fire Pension Fund (OP&F) (Continued)

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 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.

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 and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members’ base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

C. **Plan Description – Ohio Police & Fire Pension Fund (OP&F)** (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,399,969 for 2022. Of this amount, \$190,862 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2022, the specific liability of the City was \$76,356 payable in semi-annual payments through the year 2035.

D. **Pension Liabilities, Pension Assets, 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, 2021, and the total pension liability/asset 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, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. 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:

	<u>OPERS Traditional Pension Plan</u>	<u>OPERS Combined Pension Plan</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.042881%	0.083129%	0.1157027%	0.1438876%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	<u>0.043585%</u>	<u>0.085194%</u>	<u>0.1125781%</u>	<u>0.1418500%</u>	
Change in Proportionate Share	<u>0.000704%</u>	<u>0.002065%</u>	<u>-0.0031246%</u>	<u>-0.0020376%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,792,071	\$ (335,669)	\$ 7,033,227	\$ 8,861,969	\$ 19,351,598
Pension Expense	\$ (641,082)	\$ (14,977)	\$ (335,484)	\$ (231,457)	\$ (1,223,000)

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

D. Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources					
Differences between expected and actual experience	\$ 193,314	\$ 2,082	\$ 202,797	\$ 255,528	\$ 653,721
Changes of assumptions	474,195	16,872	1,285,372	1,619,587	\$ 3,396,026
Changes in proportion and differences between City contributions and proportionate share of contributions	148,575	2,684	946,379	1,040,652	\$ 2,138,290
City contributions subsequent to the measurement date	982,059	56,973	608,647	791,322	\$ 2,439,001
Total Deferred Outflows of Resources	<u>\$ 1,798,143</u>	<u>\$ 78,611</u>	<u>\$ 3,043,195</u>	<u>\$ 3,707,089</u>	<u>\$ 8,627,038</u>
Deferred Inflows of Resources					
Net difference between projected and actual earnings on pension plan investments	\$ 4,510,529	\$ 71,964	\$ 1,844,005	\$ 2,323,470	\$ 8,749,968
Differences between expected and actual experience	83,169	37,551	365,630	460,701	\$ 947,051
Changes in proportion and differences between City contributions and proportionate share of contributions	91,391	18,941	145,518	170,615	\$ 426,465
Total Deferred Inflows of Resources	<u>\$ 4,685,089</u>	<u>\$ 128,456</u>	<u>\$ 2,355,153</u>	<u>\$ 2,954,786</u>	<u>\$ 10,123,484</u>

\$2,439,001 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense below:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Year Ending December 31:					
2023	\$ (564,050)	\$ (24,924)	\$ 153,474	\$ 127,302	\$ (308,198)
2024	(1,526,828)	(33,364)	(317,335)	(416,953)	(2,294,480)
2025	(1,060,607)	(22,756)	11,349	(9,383)	(1,081,397)
2026	(717,520)	(17,500)	22,749	4,933	(707,338)
2027	-	(4,507)	209,158	255,082	459,733
Thereafter	-	(3,767)	-	-	(3,767)
Total	<u>\$ (3,869,005)</u>	<u>\$ (106,818)</u>	<u>\$ 79,395</u>	<u>\$ (39,019)</u>	<u>\$ (3,935,447)</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

E. **Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

	Traditional Pension Plan	Combined Plan
Wage Inflation		
Current Measurement Date:	2.75 percent	2.75 percent
Prior Measurement Date:	3.25 percent	3.25 percent
Future Salary Increases, including inflation		
Current Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre 1/7/2013 retirees:	3 percent, simple	3 percent, simple
Post 1/7/2013 retirees:		
Current Measurement Date:	3 percent, simple through 2022, then 2.05 percent simple	3 percent, simple through 2022, then 2.05 percent simple
Prior Measurement Date:	0.50 percent, simple through 2021, then 2.15 percent simple	0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return		
Current Measurement Date:	6.9 percent	6.9 percent
Prior Measurement Date:	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

F. **Actuarial Assumptions – OPERS** (Continued)

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

The 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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Defined Benefit Pension Plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00 %</u>	4.21 %

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability 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 would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

City's proportionate share of the net pension liability/(asset)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Traditional Pension Plan	\$ 9,997,963	\$ 3,792,071	\$ 1,372,056
Combined Plan	\$ (250,470)	\$ (335,669)	\$ (402,116)

F. **Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, 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 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 were: 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 calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented on the following page:

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
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 (CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 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

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.

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

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. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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 December 31, 2016. The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. 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, 2021 are summarized on the following pages:

**CITY OF NORTH ROYALTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	21.00 %	3.60 %
International Equity	14.00	4.40
Core Fixed Income *	23.00	1.10
U.S. Inflation Linked Bonds *	17.00	0.80
High Yield Fixed Income	7.00	3.00
Private Real Estate	12.00	4.80
Private Markets	8.00	6.80
Midstream Energy Infrastructure	5.00	5.00
Private Credit	5.00	4.50
Real Assets	8.00	5.90
Gold	5.00	2.40
Total	<u>125.00 %</u>	

Note: Assumptions are geometric

* levered 2x

** numbers are net of expected inflation

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 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 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 23,572,354	\$ 15,895,196	\$ 9,502,019

**CITY OF NORTH ROYALTON
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FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 14: DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability/Asset

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

The net OPEB liability/asset represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, 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 OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes that any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

B. Plan Description – 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.

**CITY OF NORTH ROYALTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

In order to qualify for postemployment health care coverage, generally age and service retirees under the traditional pension and combined plans must be at least age sixty with twenty or more years of qualifying Ohio service credit, or thirty years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of covered payroll. In 2022, 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.

**CITY OF NORTH ROYALTON
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(CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate employer contributions to health care for members in the Traditional Pension Plan and 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$11,912 for 2022.

C. Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. 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. A summary of the full benefit provisions can be found in OP&F's annual comprehensive financial report.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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 annual comprehensive 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF NORTH ROYALTON
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

C. **Plan Description – Ohio Police & Fire Pension Fund (OP&F)** (Continued)

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.

OP&F maintains funds for health care in two separate accounts. There is 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. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2022, 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 and is limited by the provisions of Sections 115 and 401(h).

The City's contractually required contribution to OP&F was \$32,854 for 2022.

D. **OPEB Liabilities/Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. 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. On the following page is information related to the proportionate share and OPEB expense:

**CITY OF NORTH ROYALTON
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(CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities/asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset Prior Measurement Date	0.043230%	0.2595904%	
Proportion of the Net OPEB Liability/Asset Current Measurement Date	<u>0.043991%</u>	<u>0.2544281%</u>	
Change in Proportionate Share	<u>0.000761%</u>	<u>-0.0051623%</u>	
 Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,377,865)	\$ 2,788,751	\$ 1,410,886
OPEB Expense	\$ (1,183,709)	\$ 165,063	\$ (1,018,646)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 126,863	\$ 126,863
Changes of assumptions	-	1,234,385	1,234,385
Changes in proportion and differences between City contributions and proportionate share of contributions	19,703	-	19,703
City contributions subsequent to the measurement date	<u>11,912</u>	<u>32,854</u>	<u>44,766</u>
 Total Deferred Outflows of Resources	<u>\$ 31,615</u>	<u>\$ 1,394,102</u>	<u>\$ 1,425,717</u>
 Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 656,871	\$ 251,920	\$ 908,791
Differences between expected and actual experience	209,001	368,573	577,574
Changes of assumptions	557,744	323,896	881,640
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>19,417</u>	<u>221,888</u>	<u>241,305</u>
 Total Deferred Inflows of Resources	<u>\$ 1,443,033</u>	<u>\$ 1,166,277</u>	<u>\$ 2,609,310</u>

\$44,766 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 and increase of the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense on the following page:

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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities/asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	OPERS	OP&F	Total
Year Ending December 31:			
2023	\$ (883,417)	\$ 51,779	\$ (831,638)
2024	(302,055)	14,380	(287,675)
2025	(143,523)	30,028	(113,495)
2026	(94,335)	6,858	(87,477)
2027	-	46,638	46,638
Thereafter	-	45,288	45,288
Total	<u>\$ (1,423,330)</u>	<u>\$ 194,971</u>	<u>\$ (1,228,359)</u>

E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	1.84 percent
Prior Measurement Date:	2.00 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2034
Prior Measurement Date:	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

**CITY OF NORTH ROYALTON
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(CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.30 percent for 2021.

The allocation of investment assets with 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 table on the following page displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

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 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	<u>100.00 %</u>	3.45 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. 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 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
City's proportionate share of the net OPEB asset	\$ 810,314	\$ 1,377,865	\$ 1,848,942

**CITY OF NORTH ROYALTON
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 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 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 that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 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 asset	\$ 1,392,755	\$ 1,377,865	\$ 1,360,202

F. **Actuarial Assumptions – OP&F**

OP&F’s total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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 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.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

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.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
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	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple

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.

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

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.

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

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. 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, 2021, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Core Fixed Income *	23.00	1.10
U.S. Inflation Linked Bonds *	17.00	0.80
High Yield Fixed Income	7.00	3.00
Private Real Estate	12.00	4.80
Private Markets	8.00	6.80
Midstream Energy Infrastructure	5.00	5.00
Private Credit	5.00	4.50
Real Assets	8.00	5.90
Gold	5.00	2.40
Total	125.00 %	

Note: Assumptions are geometric

* levered 2x

** numbers are net of expected inflation

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 the 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 in core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

Discount Rate 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 7.50 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, a municipal bond rate of 2.05 percent at December 31, 2021 and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.50 percent, which resulted in a blended discount rate of 2.84 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, 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 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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City’s proportionate share of the net OPEB liability	\$ 3,505,522	\$ 2,788,751	\$ 2,199,563

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 15: LONG-TERM DEBT

Changes in long-term obligations of the City during 2022 were as follows:

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2022</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligations bonds:					
2014 2.35% \$2,356,000 Refunding Bonds Various Purpose, due 12/1/2025	955,000	-	232,000	723,000	237,000
2012 3.25% \$355,000 Street improvements, due 12/1/2026	175,000	-	25,000	150,000	25,000
2014 1.50%-4.00% \$7,435,000 Various Purpose (YMCA) due 12/1/2034	545,000	-	110,000	435,000	30,000
2015 2.00-3.50% \$3,835,000 Refunding Bonds due 12/1/2028	2,875,000	-	370,000	2,505,000	385,000
2015 2.00 to 4.00% \$1,170,000 Roadway Bonds due 12-1-2035	885,000	-	50,000	835,000	50,000
2015 2.00 to 4.00% \$3,015,000 City Hall Bonds due 12-1-2035	2,280,000	-	130,000	2,150,000	135,000
2021 3.00 to 4.00% \$4,710,000 Refunding Bonds YMCA Project due 12-1-2039	4,710,000	-	180,000	4,530,000	200,000
2021 3.00 to 4.00% \$2,380,000 Energy Conservation Refunding Bonds due 12-1-2034	2,380,000	-	140,000	2,240,000	150,000
2021 3.00 to 4.00% \$2,380,000 Fire Engine Bonds due 12-1-2031	690,000	-	55,000	635,000	60,000
Total general obligation bonds	<u>15,495,000</u>	<u>-</u>	<u>1,292,000</u>	<u>14,203,000</u>	<u>1,272,000</u>
Special assessment bonds:					
2003 4.6% \$1,120,000 Industrial Park Phase II, due 2023	180,000	-	80,000	100,000	100,000
2015 2.00-4.00% \$270,000 Edgerton Sewer Bonds due 12/1/2035	210,000	-	10,000	200,000	10,000
2015 2.00-3.50% \$145,000 Refunding Bonds due 12/1/2028	115,000	-	15,000	100,000	15,000
Total special assessment bonds	<u>505,000</u>	<u>-</u>	<u>105,000</u>	<u>400,000</u>	<u>125,000</u>
Net Pension Liability					
OPERS	4,639,477	-	1,956,978	2,682,499	-
OP&F	17,696,508	-	1,801,312	15,895,196	-
Total net pension liability	<u>22,335,985</u>	<u>-</u>	<u>3,758,290</u>	<u>18,577,695</u>	<u>-</u>
Net OPEB Liability					
OP&F	2,750,402	38,349	-	2,788,751	-
Total net pension liability	<u>2,750,402</u>	<u>38,349</u>	<u>-</u>	<u>2,788,751</u>	<u>-</u>
Other long-term liabilities					
Direct Borrowings - OPWC Loans					
2005 0.00% \$522,120 OPWC Bunker/Ridgeville waterline	130,530	-	39,159	91,371	13,053
2013 0.00% \$1,223,822 OPWC Bennett Road	856,676	-	91,786	764,890	30,595
2014 0.00% \$464,600 OPWC Sprague Road	348,450	-	34,845	313,605	11,615
Total Direct Borrowing - OPWC Loans	<u>1,335,656</u>	<u>-</u>	<u>165,790</u>	<u>1,169,866</u>	<u>55,263</u>
1968 \$158,953 Police and fire pension liability, due 5/1/35	80,917	-	4,561	76,356	4,757
Unamortized Bond Premiums	1,137,366	-	97,771	1,039,595	-
Financed Payable Purchases (Note 16)	819,650	-	232,586	587,064	244,130
Claims Payable (Note 12)	166,575	82,543	64,956	184,162	5,270
Compensated absences	2,154,988	541,459	533,555	2,162,892	511,920
Total other long-term liabilities	<u>5,695,152</u>	<u>624,002</u>	<u>1,099,219</u>	<u>5,219,935</u>	<u>821,340</u>
Total Governmental Activities	<u>\$ 46,781,539</u>	<u>\$ 662,351</u>	<u>\$ 6,254,509</u>	<u>\$ 41,189,381</u>	<u>\$ 2,218,340</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 15: LONG-TERM DEBT (Continued)

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2022</u>	<u>Due Within One Year</u>
Business-Type Activities:					
General obligations bonds:					
2012 3.25% \$5,040,000 Storm sewer improvements, due 12/1/2026	2,475,000	-	380,000	2,095,000	375,000
Total general obligation bonds	<u>2,475,000</u>	<u>-</u>	<u>380,000</u>	<u>2,095,000</u>	<u>375,000</u>
Direct Borrowings - OWDA loans:					
2018 2.060% 4,493,739 WWTP A Influent Pump Station	\$ 3,736,003	\$ -	\$ 199,341	\$ 3,536,662	\$ 203,468
2021 2.250% 3,066,134 WWTP Tertiary Filters and UV Replacement	2,941,487	-	123,985	2,817,502	128,551
2022 1.280% 6,088,322 WWTP A Blower Building, Control Building	3,249,413	2,468,449	268,937	5,448,925	269,795
2023 1.860% 2,727,532 WWTP B Pump Station Conversion	-	846,971	-	846,971	-
Total Direct Borrowings - OWDA loans	<u>9,926,903</u>	<u>3,315,420</u>	<u>592,263</u>	<u>12,650,060</u>	<u>601,814</u>
Net Pension Liability					
OPERS	1,710,266	-	600,694	1,109,572	-
Total net pension liability	<u>1,710,266</u>	<u>-</u>	<u>600,694</u>	<u>1,109,572</u>	<u>-</u>
Other long-term liabilities:					
Compensated absences	407,880	138,316	77,506	468,690	113,719
Total other long-term liabilities	<u>407,880</u>	<u>138,316</u>	<u>77,506</u>	<u>468,690</u>	<u>113,719</u>
Total Business-Type Activities	<u>\$ 14,520,049</u>	<u>\$ 3,453,736</u>	<u>\$ 1,650,463</u>	<u>\$ 16,323,322</u>	<u>\$ 1,090,533</u>

Ohio Water Development Authority (OWDA) loans will be paid from sewer user charges. OPWC loans are paid from the General Bond Retirement Fund. General obligation bonds will be paid from the General Bond Retirement Fund except the 2021 Cedar Estates Sewer replacement/upsizing Project which is paid from sewer user charges. Special assessment bonds will be paid from the proceeds of 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 police and fire pension liability will be paid from taxes receipted in the Police and Fire Pension Funds. Compensated absences will be paid from the fund from which the employees' salaries are paid.

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 20-year period at an interest rate of 2.06%. The repayments will be made from the Wastewater 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% over a 20-year period. The repayments will be made from the Wastewater Fund.

The City began construction on the Blower Control Building and Improvement project at the Wastewater Treatment Plant with financing from OWDA in 2021. The project was substantially complete in 2022 with expected cost to be \$6,088,322 with a repayment interest rate of 1.28%. The City incurred total costs of \$5,448,925 through 2022. The project is still open with OWDA; therefore, no repayment schedule is available. Although, the City made its first payment during 2022.

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (CONTINUED)**

NOTE 15: **LONG-TERM DEBT** (Continued)

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 2023 with expected cost to be \$2,727,532 with a repayment interest rate of 1.86%. 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 direct borrowings from OWDA contain provisions that in the event of default, the amount of such default shall bear interest at the default rate from the due date until the date of the repayment. In addition to the interest, a late charge of one percent on the amount of each defaults shall also be paid to OWDA by the City from the pledged revenues for failure to make payment

On December 1, 2021 the City issued three separate bonds; refunding bonds YMCA Project, Energy Conservation refunding bonds, and fire engine bonds.

The refunding YMCA project bonds were issued in the amount of \$4,710,000 at a variable interest rate of 3.00-4.00%. The bonds are set to mature in 2039 and were used to pay-off the 2020 Various Purpose refunding notes.

The Energy Conservation refunding bonds were issued in the amount of \$2,380,000 at a variable interest rate of 3.00-4.00%. The bonds will mature in 2034 and the proceeds were used to refunding the Energy Conservation Improvement bonds in the amount of \$2,750,000. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$320,775. The issuance resulted in an economic gain of \$149,912.

The fire engine bonds were issued in the amount of \$690,000 at a variable interest rate of 3.00-4.00%. The bonds will mature in 2031 and proceeds were used to fund the purchase of a new fire engine.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

Year	General Obligation Bonds - Governmental			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,272,000	\$ 479,166	\$ 1,751,166	\$ 125,000	\$ 15,162	\$ 140,162
2024	1,323,000	438,534	1,761,534	30,000	9,813	39,813
2025	1,363,000	396,086	1,759,086	35,000	8,913	43,913
2026	1,170,000	350,563	1,520,563	35,000	7,775	42,775
2027	1,165,000	307,425	1,472,425	30,000	6,550	36,550
2028-2032	4,405,000	988,975	5,393,975	90,000	20,075	110,075
2033-2037	2,845,000	328,000	3,173,000	55,000	4,600	59,600
2038-2039	660,000	29,850	689,850	-	-	-
	<u>\$14,203,000</u>	<u>\$3,318,599</u>	<u>\$ 17,521,599</u>	<u>\$ 400,000</u>	<u>\$ 72,888</u>	<u>\$ 472,888</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 15: **LONG-TERM DEBT** (Continued)

Year	General Obligation Bonds - Business Type				
	Principal	Interest	Total		
2023	375,000	68,088	443,088		
2024	470,000	55,900	525,900		
2025	485,000	40,625	525,625		
2026	765,000	24,863	789,863		
	\$ 2,095,000	\$ 189,476	\$ 2,284,476		

Year	OPWC Loan	OWDA Loan		Police and Fire Pension		
	Principal	Principal	Interest	Total	Principal	Interest
2023	\$ 55,263	\$ 332,019	\$ 134,488	\$ 466,507	\$ 4,757	\$ 3,190
2024	110,527	339,141	127,366	466,507	4,962	2,986
2025	110,527	346,415	120,091	466,506	5,175	2,773
2026	110,527	353,846	112,660	466,506	5,397	2,551
2027	84,421	361,437	105,069	466,506	5,629	2,319
2028-2032	422,107	1,926,882	405,649	2,332,531	31,985	7,754
2033-2037	276,494	2,142,676	189,856	2,332,532	18,451	1,171
2038-2042	-	551,748	21,928	573,676	-	-
	\$ 1,169,866	\$6,354,164	\$ 1,217,107	\$7,571,271	\$ 76,356	\$ 22,744

NOTE 16: **FINANCED PAYABLES PURCHASES**

In previous years, the City entered into three lease agreements for financing the acquisition of fire truck, police body cameras, and Motorola radios. These lease agreements qualify as finance payable purchases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets:	Governmental Activities
Vehicles	\$ 1,491,183
Equipment	408,923
Less: accumulated depreciation	(557,502)
Total	\$ 1,342,604

The following is a schedule of the future long-term minimum lease payments required under the finance payable purchases and the present value of the minimum lease payments:

Year	Governmental Activities
2023	254,691
2024	254,691
2025	107,813
Total minimum lease payments	617,196
Less: amount representing interest	(30,132)
Present value of minimum lease payments	\$ 587,064

In the event of default, the lender may require the City to promptly deliver possession of the collateral to the lender, and may recover all expenses and collection costs which the lender has incurred.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 17: CONTINGENCIES/PENDING LITIGATION

Litigation The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect on the financial condition of the City.

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, 2022.

NOTE 18: 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 lease was extended for a one-year agreement in 2022, with all parties entering a new five (5) year lease agreement beginning in 2023.

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**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 19: 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Construction, Maintenance & Repair	EMS Levy	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$ 404,465	\$ 18,293	\$ 32,119	\$ 8,352	\$ 463,229
Inventory	38,177	306,033	-	-	344,210
Unclaimed Funds	8,927	-	-	-	8,927
Assets Held for Resale	35,300	-	-	-	35,300
<i>Total Nonspendable</i>	<u>486,869</u>	<u>324,326</u>	<u>32,119</u>	<u>8,352</u>	<u>851,666</u>
<i>Restricted for</i>					
Enforcement and education	-	-	-	50,363	50,363
Drug law enforcement	-	-	-	22,342	22,342
Police Facility	-	-	-	410,367	410,367
Law enforcement trust	-	-	-	358,510	358,510
EMS Levy	-	-	401,060	-	401,060
Motor vehicle license tax	-	-	-	111,326	111,326
Street construction	-	2,938,431	-	-	2,938,431
State highway	-	-	-	400,722	400,722
Police levy	-	-	-	228,516	228,516
Fire levy	-	-	-	169,791	169,791
Recycling grant	-	-	-	6,518	6,518
NOPEC grant	-	-	-	64,403	64,403
Court computer services	-	-	-	32,375	32,375
Community diversion	-	-	-	24,449	24,449
Cemetery maintenance & improvement	-	-	-	39,145	39,145
Enterprise zone	-	-	-	29,945	29,945
YMCA special revenue	-	-	-	65,040	65,040
Opioid Settlement	-	-	-	4,238	4,238
Police Pension	-	-	-	41,393	41,393
Fire Pension	-	-	-	10,320	10,320
Office on Aging Trust	-	-	-	14,405	14,405
Debt service payments	-	-	-	623,181	623,181
Capital improvements	-	-	-	634,620	634,620
<i>Total Restricted</i>	<u>-</u>	<u>2,938,431</u>	<u>401,060</u>	<u>3,341,969</u>	<u>6,681,460</u>
<i>Committed to</i>					
Compensated absences	551,544	-	-	-	551,544
Office on aging	-	-	-	310,431	310,431
Capital improvements	-	-	-	2,989,181	2,989,181
<i>Total Committed</i>	<u>551,544</u>	<u>-</u>	<u>-</u>	<u>3,299,612</u>	<u>3,851,156</u>
<i>Assigned to</i>					
Capital improvements	-	-	-	8,080	8,080
Year 2023 appropriations	102,107	-	-	-	102,107
Safety Forces	177,326	-	-	-	177,326
Public Health	2,470	-	-	-	2,470
Recreation	26,170	-	-	-	26,170
Economic Development	61,710	-	-	-	61,710
Streets	3,201	-	-	-	3,201
General Government	135,205	-	-	-	135,205
<i>Total Assigned</i>	<u>508,189</u>	<u>-</u>	<u>-</u>	<u>8,080</u>	<u>516,269</u>
<i>Unassigned</i>					
	12,863,545	-	-	-	12,863,545
Total Fund Balances	<u>\$ 14,410,147</u>	<u>\$ 3,262,757</u>	<u>\$ 433,179</u>	<u>\$ 6,658,013</u>	<u>\$ 24,764,096</u>

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 20: **TAX ABATEMENT**

As of December 31, 2022, the City of North Royalton provides tax incentive programs under The Community Reinvestment Area.

Real Estate Tax Abatement

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.

In 2022, the City of North Royalton was required to make payments to the North Royalton School District and Cuyahoga Valley Career Center for 2020 and 2021 CRA Tax Sharing Agreements. The City of North Royalton paid the North Royalton School District \$5,745 for 2020 and \$6,553 for 2021 for a total remitted of \$12,299 in calendar year 2022. The City of North Royalton paid the Cuyahoga Valley Career Center \$275 for 2020 and \$316 for 2021 for a total remitted of \$590 in calendar year 2022.

NOTE 21: **INSURANCE PURCHASING POOL**

Ohio Government Benefit Cooperative

The City participates in the Ohio Government Benefit Cooperative, a claims servicing and group purchasing pool comprised of ten members. The Ohio Government Benefit Cooperative (OGBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OGBC is governed by a two-member Board of Directors. The City of Willoughby serves as the fiscal agent for OGBC. OGBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and their eligible dependents and designated beneficiaries of such employees.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 21: **INSURANCE PURCHASING POOL** (Continued)

Ohio Government Benefit Cooperative (Continued)

Participants pay an initial \$500 membership fee to OGBC. OGBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OGBC's third party administrator. Medical Mutual is the Administrator of the OGBC. The City participates in the joint insurance program for medical, prescription drug, dental, and vision coverage. The City authorized the withdrawal as a member of the insurance pool effective January 1, 2023 through ordinance 22-16.

NOTE 22: **ASSET RETIREMENT OBLIGATION**

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 23: **COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 24: **SUBSEQUENT EVENT NOTE**

The City was awarded \$2,000,000 in 2023 for the Economic Development Initiative Community Project for the use of the York Beta Drive Industrial Park Expansion Project.

Required Supplementary Information

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST NINE YEARS (1)**

Traditional Plan	2022	2021	2020
City's Proportion of the Net Pension Liability	0.043585%	0.042881%	0.043495%
City's Proportionate Share of the Net Pension Liability	\$ 3,792,071	\$ 6,349,743	\$ 8,597,082
City's Covered Payroll	\$ 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	59.96%	105.11%	140.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%
Combined Plan	2022	2021	2020
City's Proportion of the Net Pension (Asset)	0.085194%	0.083129%	0.080578%
City's Proportionate Share of the Net Pension (Asset)	\$ (335,669)	\$ (239,963)	\$ (168,025)
City's Covered Payroll	\$ 388,393	\$ 366,350	\$ 358,700
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	86.43%	65.50%	46.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented 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
0.043735%	0.044557%	0.046353%	0.046022%	0.047175%	0.047175%
\$ 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%
2019	2018	2017	2016	2015	2014
0.078018%	0.067316%	0.063296%	0.064320%	0.058072%	0.058072%
\$ (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
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY
 OHIO POLICE AND FIRE PENSION FUND
 LAST NINE YEARS (1)**

Police	2022	2021	2020
City's Proportion of the Net Pension Liability	0.1125781%	0.1157027%	0.1188634%
City's Proportionate Share of the Net Pension Liability	\$ 7,033,227	\$ 7,887,560	\$ 8,007,274
City's Covered Payroll	\$ 3,189,189	\$ 3,146,505	\$ 3,134,805
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	220.53%	250.68%	255.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%
Fire	2022	2021	2020
City's Proportion of the Net Pension Liability	0.1418500%	0.1438876%	0.1465172%
City's Proportionate Share of the Net Pension Liability	\$ 8,861,969	\$ 9,808,948	\$ 9,870,181
City's Covered Payroll	\$ 3,264,970	\$ 3,153,128	\$ 3,139,600
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	271.43%	311.09%	314.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented 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
0.1226927%	0.1214990%	0.1229680%	0.1409270%	0.1191491%	0.1191491%
\$ 10,014,970	\$ 7,456,942	\$ 7,788,670	\$ 9,065,933	\$ 6,172,421	\$ 5,802,935
\$ 3,084,584	\$ 2,951,189	\$ 2,825,726	\$ 2,770,353	\$ 2,855,147	\$ 3,453,325
324.68%	252.68%	275.63%	327.25%	216.19%	168.04%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
2019	2018	2017	2016	2015	2014
0.1493557%	0.1545910%	0.1549400%	0.1715780%	0.1474618%	0.1474618%
\$ 12,191,375	\$ 9,487,948	\$ 9,813,744	\$ 11,037,733	\$ 7,639,136	\$ 7,181,852
\$ 3,053,426	\$ 3,048,902	\$ 2,971,502	\$ 2,709,732	\$ 2,884,898	\$ 3,061,107
399.27%	311.19%	330.26%	407.34%	264.80%	234.62%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN YEARS (1)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Contractually Required Contributions</u>				
Traditional Plan	\$ 982,059	\$ 885,389	\$ 845,719	\$ 856,745
Combined Plan	<u>56,973</u>	<u>54,375</u>	<u>51,289</u>	<u>50,218</u>
Total Required Contributions	\$ 1,039,032	\$ 939,764	\$ 897,008	\$ 906,963
Contributions in Relation to the Contractually Required Contribution	<u>(1,039,032)</u>	<u>(939,764)</u>	<u>(897,008)</u>	<u>(906,963)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>City's Covered Payroll</u>				
Traditional Plan	\$ 7,014,707	\$ 6,324,207	\$ 6,040,850	\$ 6,119,607
Combined Plan	\$ 406,950	\$ 388,393	\$ 366,350	\$ 358,700
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Traditional Plan	14.00%	14.00%	14.00%	14.00%
Combined Plan	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$ 826,704	\$ 766,222	\$ 719,057	\$ 687,620	\$ 696,338	\$ 816,104
46,715	35,840	29,566	28,090	25,666	31,988
\$ 873,419	\$ 802,062	\$ 748,623	\$ 715,710	\$ 722,004	\$ 848,092
(873,419)	(802,062)	(748,623)	(715,710)	(722,004)	(848,092)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,905,029	\$ 5,894,015	\$ 5,992,142	\$ 5,730,167	\$ 5,802,817	\$ 6,277,723
\$ 333,679	\$ 275,692	\$ 246,383	\$ 234,083	\$ 213,883	\$ 246,062
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION
 OHIO POLICE AND FIRE PENSION FUND
 LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Contractually Required Contributions</u>				
Police	\$ 608,647	\$ 605,946	\$ 597,836	\$ 595,613
Fire	791,322	767,268	740,985	737,806
Total Required Contributions	\$ 1,399,969	\$ 1,373,214	\$ 1,338,821	\$ 1,333,419
Contributions in Relation to the Contractually Required Contribution	(1,399,969)	(1,373,214)	(1,338,821)	(1,333,419)
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -
<u>City's Covered Payroll</u>				
Police	\$ 3,203,405	\$ 3,189,189	\$ 3,146,505	\$ 3,134,805
Fire	\$ 3,367,328	\$ 3,264,970	\$ 3,153,128	\$ 3,139,600
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Police	19.00%	19.00%	19.00%	19.00%
Fire	23.50%	23.50%	23.50%	23.50%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$ 586,071	\$ 560,726	\$ 536,888	\$ 526,367	\$ 542,478	\$ 543,208
<u>717,555</u>	<u>716,492</u>	<u>698,303</u>	<u>636,787</u>	<u>677,951</u>	<u>619,262</u>
\$ 1,303,626	\$ 1,277,218	\$ 1,235,191	\$ 1,163,154	\$ 1,220,429	\$ 1,162,470
<u>(1,303,626)</u>	<u>(1,277,218)</u>	<u>(1,235,191)</u>	<u>(1,163,154)</u>	<u>(1,220,429)</u>	<u>(1,162,470)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,084,584	\$ 2,951,189	\$ 2,825,726	\$ 2,770,353	\$ 2,855,147	\$ 3,453,325
\$ 3,053,426	\$ 3,048,902	\$ 2,971,502	\$ 2,709,732	\$ 2,884,898	\$ 3,061,107
19.00%	19.00%	19.00%	19.00%	19.00%	[1]
23.50%	23.50%	23.50%	23.50%	23.50%	[1]

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST SIX YEARS (1)**

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability/Asset	0.043991%	0.043230%	0.043473%	0.043619%	0.044040%	0.045480%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,377,865)	\$ (770,177)	\$ 6,004,751	\$ 5,686,888	\$ 4,782,420	\$ 4,593,634
City's Covered Payroll	\$ 6,858,543	\$ 6,539,218	\$ 6,567,750	\$ 6,324,504	\$ 6,238,423	\$ 6,285,571
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-20.09%	-11.78%	91.43%	89.92%	76.66%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 OHIO POLICE AND FIRE PENSION FUND
 LAST SIX YEARS (1)**

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2544281%	0.2595904%	0.2653806%	0.2720485%	0.2760910%	0.2779100%
City's Proportionate Share of the Net OPEB Liability	\$ 2,788,751	\$ 2,750,402	\$ 2,621,358	\$ 2,477,419	\$ 15,642,908	\$ 13,191,763
City's Covered Payroll	\$ 6,454,159	\$ 6,299,633	\$ 6,274,405	\$ 6,138,010	\$ 6,000,091	\$ 5,797,228
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	43.21%	43.66%	41.78%	40.36%	260.71%	227.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.86%	45.42%	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST EIGHT YEARS (1)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 11,912	\$ 5,838	\$ 5,281
Contributions in Relation to the Contractually Required Contribution	<u>(11,912)</u>	<u>(5,838)</u>	<u>(5,281)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 7,719,464	\$ 6,858,543	\$ 6,539,218
Contributions as a Percentage of Covered Payroll	0.15%	0.09%	0.08%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST EIGHT YEARS (1)**

2019	2018	2017	2016	2015
\$ 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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,567,750	\$ 6,324,504	\$ 6,238,423	\$ 6,285,571	\$ 5,986,769
0.05%	0.05%	1.04%	2.01%	1.99%

**CITY OF NORTH ROYALTON
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB
 OHIO POLICE AND FIRE PENSION FUND
 LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 32,854	\$ 32,271	\$ 31,499	\$ 31,372
Contributions in Relation to the Contractually Required Contribution	<u>(32,854)</u>	<u>(32,271)</u>	<u>(31,499)</u>	<u>(31,372)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 6,570,733	\$ 6,454,159	\$ 6,299,633	\$ 6,274,405
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$ 30,690	\$ 30,000	\$ 29,165	\$ 29,188	\$ 115,298	\$ 274,916
<u>(30,690)</u>	<u>(30,000)</u>	<u>(29,165)</u>	<u>(29,188)</u>	<u>(115,298)</u>	<u>(274,916)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,138,010	\$ 6,000,091	\$ 5,797,228	\$ 5,480,085	\$ 5,740,045	\$ 6,514,432
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2022.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2022.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034.

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2022.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date. For 2022, the investment rate of return was reduced from 8.00 percent to 7.50 percent.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2022. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96. For 2022, the single discount rate changed from 2.96 to 2.84.

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, 2022, 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 12, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

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.

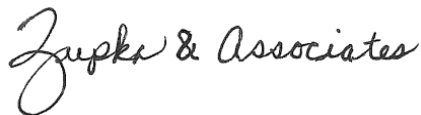
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 12, 2023

**CITY OF NORTH ROYALTON
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The prior audit report, as of December 31, 2021, included a material weakness.

<u>Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2021-001	Internal Controls Over Financial Reporting	Corrective Action Taken and Finding is Fully Corrected.	None.

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 7/27/2023

88 East Broad 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