

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

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2024**

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





65 East State Street  
Columbus, Ohio 43215  
[ContactUs@ohioauditor.gov](mailto:ContactUs@ohioauditor.gov)  
800-282-0370

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, 2024 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER  
Ohio Auditor of State

A handwritten signature in black ink that reads "Tiffany L Ridenbaugh".

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

October 29, 2025

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**CITY OF NORTH ROYALTON  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2024**

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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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, Street Construction, Maintenance and Repair Fund and EMS Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

***Emphasis of Matter***

As discussed in Note 18 to the basic financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. 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 25, 2025, 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*

Zupka & Associates  
Certified Public Accountants

June 25, 2025

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**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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The discussion and analysis of the City of North Royalton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

## **Financial Highlights**

Financial highlights for 2024 are as follows:

- The City's net position increased during 2024 due to an increase in cash, income taxes and property taxes. Cash increased due to an increase in income taxes as the economy continues to recover from the COVID 19 pandemic. In addition, the City saw an increase to property taxes from changes to assessed property valuations.
- Total governmental capital assets decreased due to current year depreciation exceeding capital asset additions and contributions consisting of ongoing construction projects, building improvements, various pieces of furniture, fixtures and equipment, vehicles and infrastructure. The business-type activities capital assets decreased due to current year depreciation exceeding capital asset additions consisting of ongoing construction projects and a variety of machinery and equipment.
- Staff saw a four percent increase in base salary, which resulted in increase in expenditures for all departments.

## **Using this Annual Financial Report**

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

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

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

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2024?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### The City of North Royalton as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2024 as they compare to 2023.

(Table 1)  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current and Other Assets	\$51,711,944	\$44,378,768	\$12,961,382	\$11,766,606	64,673,326	\$56,145,374
Net Pension Asset	198,487	145,022	81,821	61,122	280,308	206,144
Net OPEB Asset	282,199	0	116,330	0	398,529	0
Capital Assets, Net	69,562,287	70,489,067	58,793,724	60,077,978	128,356,011	130,567,045
<i>Total Assets</i>	<i>121,754,917</i>	<i>115,012,857</i>	<i>71,953,257</i>	<i>71,905,706</i>	<i>193,708,174</i>	<i>186,918,563</i>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	200,597	256,246	0	0	200,597	256,246
Pension	10,395,412	13,091,898	1,077,526	1,757,506	11,471,932	(19,273)
OPEB	1,167,884	1,823,631	110,275	269,156	1,278,159	2,089,282
<i>Total Deferred Outflows of Resources</i>	<i>11,763,893</i>	<i>15,171,775</i>	<i>1,187,801</i>	<i>2,026,662</i>	<i>12,950,688</i>	<i>2,326,255</i>
<b>Liabilities</b>						
Current Liabilities	3,268,402	2,357,640	952,120	769,448	4,220,522	3,127,088
Long-term Liabilities						
Due within one Year	2,247,162	2,223,570	1,285,534	1,181,941	3,532,696	3,405,511
Due in More than one Year						
Net Pension Liability	32,591,854	33,553,419	3,308,324	3,963,539	35,900,178	37,516,958
Net OPEB Liability	1,856,536	2,015,762	0	86,708	1,856,536	2,102,470
Other Amounts	13,878,819	15,730,861	13,145,541	14,308,079	27,024,360	30,038,940
<i>Total Liabilities</i>	<i>53,842,773</i>	<i>55,881,252</i>	<i>18,691,519</i>	<i>20,309,715</i>	<i>72,534,292</i>	<i>76,190,967</i>
<b>Deferred Inflows of Resources</b>						
Property Taxes	6,891,206	6,262,542	0	0	6,891,206	6,262,542
Payments in Lieu of Taxes	715,580	605,694	0	0	715,580	605,694
Leases	473,869	541,500	0	0	473,869	541,500
Pension	862,559	1,206,423	109,871	19,387	971,424	1,206,537
OPEB	1,804,775	2,073,710	66,564	28,598	1,871,339	2,098,803
<i>Total Deferred Inflows of Resources</i>	<i>\$10,747,989</i>	<i>\$10,689,869</i>	<i>\$176,435</i>	<i>\$47,985</i>	<i>\$10,923,418</i>	<i>\$10,715,076</i>

(continued)

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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(Table 1)  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Net Position</b>						
Net Investment in Capital Assets	\$55,843,903	\$55,071,820	\$42,792,151	\$43,108,744	\$98,636,054	\$98,180,564
Restricted for:						
Capital Projects	1,848,074	653,396	0	0	1,848,074	653,396
Debt Service	591,893	708,303	0	0	591,893	708,303
Pension/OPEB Plans	480,686	145,022	198,151	61,122	678,837	206,144
Other Purposes	12,049,469	8,877,970	0	0	12,049,469	8,877,970
Unrestricted (Deficit)	(1,885,977)	(1,843,000)	11,282,802	10,404,802	9,396,825	8,561,802
<i>Total Net Position</i>	<u>\$68,928,048</u>	<u>\$63,613,511</u>	<u>\$54,273,104</u>	<u>\$53,574,668</u>	<u>\$123,201,152</u>	<u>\$117,188,179</u>

**New Accounting Pronouncements**

For 2024, the City implemented GASB Statement No. 101 *Compensated Absences*. The City also implemented GASB Statement No. 100 *Accounting Changes and Error Corrections*, which does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The implementation of GASB 101 resulted in recognizing an additional compensated absences liabilities of \$649,924 in governmental activities and \$87,165 in business-type activities at January 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (See Note 18).

**Governmental and Business-Type Activities**

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2024. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**City of North Royalton, Ohio**  
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*Unaudited*

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

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

The net position for business-type activities increased from the prior year. The increase in business-type net position can be attributed to increases in cash due to increased charges for services resulting from a nine percent sewer rate increase plus decreases in total liabilities due to the continued pay down of debt as well as changes in the net pension/OPEB liabilities.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for fiscal years 2024 and 2023.

(Table 2)  
*Changes in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
<b>Program Revenues</b>						
Charges for Services	\$2,828,138	\$2,866,754	\$9,331,061	\$8,381,748	\$12,159,199	\$11,248,502
Operating Grants and Contributions	2,768,020	2,814,565	832,925	0	3,600,945	2,814,565
Capital Grants	2,920,968	338,031	0	33,990	2,920,968	372,021
<i>Total Program Revenues</i>	<i>8,517,126</i>	<i>6,019,350</i>	<i>10,163,986</i>	<i>8,415,738</i>	<i>18,681,112</i>	<i>14,435,088</i>
<b>General Revenues</b>						
Property Taxes	6,415,423	6,297,827	0	0	6,415,423	6,297,827
Municipal Income Tax	23,284,848	22,415,270	0	0	23,284,848	22,415,270
Grants and Entitlements not Restricted to Specific Programs	847,089	856,591	0	0	847,089	856,591
Gain on Sale of Capital Assets	38,535	43,212	0	43,012	38,535	86,224
Gain on Sale of Assets Held for Resale	21,674	0	0	0	21,674	0
Payments in Lieu of Taxes	603,300	472,909	0	0	603,300	472,909
Permissive Motor Vehicle Taxes	169,199	162,012	0	0	169,199	162,012
Investment Earnings/Interest	760,721	600,912	434,059	412,296	1,194,780	1,013,208
Unrestricted Contributions	1,585	1,708	0	0	1,585	1,708
Other	801,745	841,813	22,836	63,401	824,581	905,214
<i>Total General Revenues</i>	<i>32,944,119</i>	<i>31,692,254</i>	<i>456,895</i>	<i>518,709</i>	<i>33,401,014</i>	<i>32,210,963</i>
<i>Total Revenues</i>	<i>\$41,461,245</i>	<i>\$37,711,604</i>	<i>\$10,620,881</i>	<i>\$8,934,447</i>	<i>\$52,082,126</i>	<i>\$46,646,051</i>

(continued)

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

(Table 2)  
*Changes in Net Position (continued)*

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
<b>Program Expenses</b>						
General Government	\$4,594,507	\$4,455,376	\$0	\$0	\$4,594,507	\$4,455,376
Security of Persons and Property	18,927,971	17,940,518	0	0	18,927,971	17,940,518
Public Health Services	175,847	358,252	0	0	175,847	358,252
Transportation	6,623,701	7,527,693	0	0	6,623,701	7,527,693
Community Environment	1,221,844	1,156,951	0	0	1,221,844	1,156,951
Basic Utility Services	2,206,007	1,831,120	0	0	2,206,007	1,831,120
Leisure Time Activities	1,317,608	1,337,850	0	0	1,317,608	1,337,850
Interest	429,299	475,494	0	0	429,299	475,494
Sanitary Sewer	0	0	9,835,280	9,306,948	9,835,280	9,306,948
<i>Total Program Expenses</i>	<i>35,496,784</i>	<i>35,083,254</i>	<i>9,835,280</i>	<i>9,306,948</i>	<i>45,332,064</i>	<i>44,390,202</i>
Transfers	0	(75,208)	0	75,208	0	0
<i>Change in Net Position</i>	<i>5,964,461</i>	<i>2,553,142</i>	<i>785,601</i>	<i>(297,293)</i>	<i>6,750,062</i>	<i>2,255,849</i>
Net Position Beginning of Year as Previously Reported	63,613,511	61,060,369	53,574,668	53,871,961	117,188,179	114,932,330
Change in Accounting Principles (See Note 18)	(649,924)	0	(87,165)	0	(737,089)	0
Restated Net Position						
Beginning of Year	62,963,587	61,060,369	53,487,503	53,871,961	116,451,090	114,932,330
Net Position End of the Year	<u>\$68,928,048</u>	<u>\$63,613,511</u>	<u>\$54,273,104</u>	<u>\$53,574,668</u>	<u>\$123,201,152</u>	<u>\$117,188,179</u>

### **New Accounting Pronouncements**

The above table separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100, *Accounting Changes and Error Corrections* does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2023 information does not reflect activity related to the additional compensated absences expenses required under GASB 101, *Compensated Absences*. (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 18.)

### **Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. For 2024, annual income tax receipts were more than half of all general revenues. The City's income tax rate is currently 2.0 percent. Residents of the City who work in another community receive a 100 percent credit up to 1.25 percent on income earned outside the City and paid to another municipality.

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

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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Program revenues represent less than half of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, charges for services for EMS billings, cable franchise fees, fines, forfeitures and settlement monies and grant money restricted by the State and Federal granting agencies. 2024 saw a decrease in operating grants and contributions due to the City not receiving any additional COVID funding in 2024.

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

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

### **Business-Type Activities**

The City had one business-type activity in 2024, sanitary sewer. The largest source of revenue in 2024 was charges for services. Sanitary sewer received \$9,331,061 of charges for services during the year and had expenses of \$9,835,280. Personal services and contractual services were the largest expenses for the sanitary sewer as these comprise of salaries and benefits for staff along with ensuring the health of the facilities.

### **The City's Funds**

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

As of the end of 2024, the City of North Royalton's governmental funds reported a positive combined ending fund balance. The City's major governmental funds are the general fund and the street construction, maintenance and repair and EMS levy special revenue funds. The general fund had an increase in fund balance due to the City ensuring revenues exceeded expenditures by careful budget management. The street construction, maintenance and repair special revenue fund had an increase in fund balance due to an increase in gas taxes and motor vehicle registration intergovernmental revenues received for road projects. This was coupled with a decrease in expenditures due to careful monitoring by City management. The EMS levy special revenue fund had a decrease in fund balance due to expenditures exceeding revenues.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$9,353,897 and total operating expenses of \$9,314,483.

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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## **General Fund Budgeting Highlights**

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2024, actual revenues for the general fund were less than final estimated revenues due to all revenues, except property taxes, fees, licenses and permits revenue and interest coming in lower than expected for the year. City Council's actual expenditures were less than final appropriations due to the City's careful monitoring of expenditures.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

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

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

### **Long-Term Obligations**

The long-term obligations include general obligation bonds, special assessment bonds, OPWC loans, OWDA loans, net pension and post-employment liabilities, a police and fire pension liability, a financed purchase liability, a lease payable, a subscription payable and compensated absences. Governmental and business-type long-term obligations decreased from the prior year, primarily due to decreases in the net pension/OPEB liabilities as well as the pay down of debt.

The City's overall legal debt margin was \$101,471,325 with an unvoted debt margin of \$47,037,675 at December 31, 2024. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

### **Current Financial Issues**

In 2024, the City of North Royalton saw a slight increase municipal income tax receipts, which was a continuation of the positive trend in increased income tax receipts which began in 2022. That increase, along with the departmental directors managing their annual budgets, allowed for another year of a positive increase in the general fund carryover balance. In 2024, the City of North Royalton continued to see an increase in withholding tax receipts due to many residents working from home (and the requirement where employers would remit withholding income tax based on where the employee wages were earned and not the location of the employer).

**City of North Royalton, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2024*  
*Unaudited*

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In 2024, the City of North Royalton continued to improve city park areas and were awarded grant monies to do so. The City Green received a \$50,000 CDSG Grant from Cuyahoga County to perform construction of wayfinding and landscaping improvements at the City Green. The City also applied and was awarded a \$38,000 CDBG grant from Cuyahoga County for construction of ADA Improvements at Memorial Park. The City continues to apply for grants to reduce the contribution required by the City for various projects throughout the City.

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

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

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

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

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## Basic Financial Statements

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**City of North Royalton, Ohio**

*Statement of Net Position*

*December 31, 2024*

	Governmental Activities	Business-Type Activities	Total *
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$32,518,327	\$11,607,946	\$44,126,273
Cash and Cash Equivalents			
In Segregated Accounts	16,488	0	16,488
Property Taxes Receivable	7,098,880	0	7,098,880
Income Taxes Receivable	7,424,570	0	7,424,570
Payments in Lieu of Taxes Receivable	715,580	0	715,580
Permissive Motor Vehicle License Taxes Receivable	12,556	0	12,556
Accounts Receivable	488,494	728,067	1,216,561
Intergovernmental Receivable	1,874,177	498,841	2,373,018
Special Assessments Receivable	250,065	0	250,065
Accrued Interest Receivable	90,417	39,905	130,322
Leases Receivable	431,786	0	431,786
Prepaid Items	474,204	82,738	556,942
Materials and Supplies Inventory	316,400	3,885	320,285
Net Pension Asset (See Note 12)	198,487	81,821	280,308
Net OPEB Asset (See Note 13)	282,199	116,330	398,529
Nondepreciable Capital Assets	5,511,655	2,925,522	8,437,177
Depreciable Capital Assets, Net	<u>64,050,632</u>	<u>55,868,202</u>	<u>119,918,834</u>
<i>Total Assets</i>	<u>121,754,917</u>	<u>71,953,257</u>	<u>193,708,174</u>
<b>Deferred Outflow of Resources</b>			
Deferred Charge on Refunding	200,597	0	200,597
Pension	10,395,412	1,077,526	11,471,932
OPEB	<u>1,167,884</u>	<u>110,275</u>	<u>1,278,159</u>
<i>Total Deferred Outflows of Resources</i>	<u>11,763,893</u>	<u>1,187,801</u>	<u>12,950,688</u>
<b>Liabilities</b>			
Accounts Payable	412,601	131,247	543,848
Contracts Payable	227,925	124,310	352,235
Accrued Wages	662,670	118,793	781,463
Intergovernmental Payable	403,325	421,728	825,053
Retainage Payable	28,619	0	28,619
Matured Compensated Absences Payable	1,310	0	1,310
Accrued Interest Payable	34,512	3,385	37,897
Accrued Vacation Leave Payable	965,235	152,657	1,117,892
Deposits Held and Due to Others	532,205	0	532,205
Long-Term Liabilities:			
Due Within One Year	2,247,162	1,285,534	3,532,696
Due In More Than One Year			
Net Pension Liability (See Note 12)	32,591,854	3,308,324	35,900,178
Net OPEB Liability (See Note 13)	1,856,536	0	1,856,536
Other Amounts	<u>13,878,819</u>	<u>13,145,541</u>	<u>27,024,360</u>
<i>Total Liabilities</i>	<u>53,842,773</u>	<u>18,691,519</u>	<u>72,534,292</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	6,891,206	0	6,891,206
Payments in Lieu of Taxes	715,580	0	715,580
Leases	473,869	0	473,869
Pension	862,559	109,871	971,424
OPEB	<u>1,804,775</u>	<u>66,564</u>	<u>1,871,339</u>
<i>Total Deferred Inflows of Resources</i>	<u>10,747,989</u>	<u>176,435</u>	<u>10,923,418</u>
<b>Net Position</b>			
Net Investment in Capital Assets	55,843,903	42,792,151	98,636,054
Restricted for:			
Capital Projects	1,848,074	0	1,848,074
Debt Service	591,893	0	591,893
Police and Fire	2,910,487	0	2,910,487
Streets and Highways	7,915,317	0	7,915,317
Unclaimed Monies	8,927	0	8,927
Pension and OPEB Plans	480,686	198,151	678,837
Other Purposes	1,214,738	0	1,214,738
Unrestricted (Deficit)	<u>(1,885,977)</u>	<u>11,282,802</u>	<u>9,396,825</u>
<i>Total Net Position</i>	<u>\$68,928,048</u>	<u>\$54,273,104</u>	<u>\$123,201,152</u>

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

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Activities*  
*For the Year Ended December 31, 2024*

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$4,594,507	\$323,723	\$0	\$0
Security of Persons and Property:	18,927,971	2,009,534	\$461,476	0
Public Health Services	175,847	37,510	0	0
Transportation	6,623,701	12,385	2,300,544	2,193,413
Community Environment	1,221,844	73,018	6,000	0
Basic Utility Services	2,206,007	175,003	0	122,378
Leisure Time Activities	1,317,608	196,965	0	605,177
Interest	<u>429,299</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Governmental Activities</i>	<i>35,496,784</i>	<i>2,828,138</i>	<i>2,768,020</i>	<i>2,920,968</i>
<b>Business-Type Activities:</b>				
Sanitary Sewer	<u>9,835,280</u>	<u>9,331,061</u>	<u>832,925</u>	<u>0</u>
<i>Total</i>	<i><u>\$45,332,064</u></i>	<i><u>\$12,159,199</u></i>	<i><u>\$3,600,945</u></i>	<i><u>\$2,920,968</u></i>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				
Debt Service				
Police and Fire				
Municipal Income Taxes Levied for:				
General Purposes				
Police Facility				
Street Maintenance				
Other Purposes				
Grants and Entitlements not Restricted to Specific Programs				
Gain on Sale of Capital Asset				
Gain on Sale of Asset Held for Resale				
Payment in Lieu of Taxes				
Permissive Motor Vehicle License Taxes				
Investment Earnings/Interest				
Unrestricted Contributions				
Other				
<i>Total General Revenues</i>				
Change in Net Position				
<i>Net Position Beginning of Year as Previously Reported</i>				
Change in Accounting Principles (See Note 18)				
<i>Restated Net Position Beginning of Year</i>				
<i>Net Position End of Year</i>				

See accompanying notes to the basic financial statements

### Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$4,270,784)	\$0	(\$4,270,784)
(16,456,961)	0	(16,456,961)
(138,337)	0	(138,337)
(2,117,359)	0	(2,117,359)
(1,142,826)	0	(1,142,826)
(1,908,626)	0	(1,908,626)
(515,466)	0	(515,466)
(429,299)	0	(429,299)
<u>(26,979,658)</u>	<u>0</u>	<u>(26,979,658)</u>
<u>0</u>	<u>328,706</u>	<u>328,706</u>
<u>(26,979,658)</u>	<u>328,706</u>	<u>(26,650,952)</u>
1,449,684	0	1,449,684
386,573	0	386,573
4,579,166	0	4,579,166
19,538,014	0	19,538,014
202,581	0	202,581
3,366,995	0	3,366,995
177,258	0	177,258
847,089	0	847,089
38,535	0	38,535
21,674	0	21,674
603,300	0	603,300
169,199	0	169,199
760,721	434,059	1,194,780
1,585	0	1,585
<u>801,745</u>	<u>22,836</u>	<u>824,581</u>
<u>32,944,119</u>	<u>456,895</u>	<u>33,401,014</u>
<u>5,964,461</u>	<u>785,601</u>	<u>6,750,062</u>
63,613,511	53,574,668	117,188,179
<u>(649,924)</u>	<u>(87,165)</u>	<u>(737,089)</u>
62,963,587	53,487,503	116,451,090
<u>\$68,928,048</u>	<u>\$54,273,104</u>	<u>\$123,201,152</u>

**City of North Royalton, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2024*

	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$14,884,007	\$6,180,833	\$755,516	\$10,689,044	\$32,509,400
Cash and Cash Equivalents					
In Segregated Accounts	16,488	0	0	0	16,488
Receivables:					
Property Taxes	1,812,093	0	1,849,519	3,437,268	7,098,880
Income Taxes	6,159,752	1,145,684	0	119,134	7,424,570
Payments in Lieu of Taxes	0	0	0	715,580	715,580
Permissive Motor Vehicle License Taxes	0	0	0	12,556	12,556
Accounts	91,635	1,064	464	395,331	488,494
Interfund	688,708	0	0	0	688,708
Intergovernmental	406,273	972,194	14,882	480,828	1,874,177
Special Assessments	0	0	0	250,065	250,065
Accrued Interest	78,475	0	0	11,942	90,417
Leases	0	0	0	431,786	431,786
Materials and Supplies Inventory	34,950	281,450	0	0	316,400
Prepaid Items	349,451	45,434	59,875	19,444	474,204
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	8,927	0	0	0	8,927
<i>Total Assets</i>	<u>\$24,530,759</u>	<u>\$8,626,659</u>	<u>\$2,680,256</u>	<u>\$16,562,978</u>	<u>\$52,400,652</u>
<b>Liabilities</b>					
Accounts Payable	\$340,374	\$35,847	\$9,216	\$27,164	\$412,601
Contracts Payable	36,546	0	0	191,379	227,925
Accrued Wages	368,597	70,392	181,620	42,061	662,670
Intergovernmental Payable	174,380	23,481	12,633	192,831	403,325
Interfund Payable	0	0	0	688,708	688,708
Retainage Payable	0	0	0	28,619	28,619
Matured Compensated Absences Payable	1,310	0	0	0	1,310
Deposits Held and Due to Others	532,205	0	0	0	532,205
<i>Total Liabilities</i>	<u>1,453,412</u>	<u>129,720</u>	<u>203,469</u>	<u>1,170,762</u>	<u>2,957,363</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,763,846	0	1,795,392	3,331,968	6,891,206
Payments in Lieu of Taxes	0	0	0	715,580	715,580
Leases	0	0	0	473,869	473,869
Unavailable Revenue	3,188,401	1,177,032	69,009	974,993	5,409,435
<i>Total Deferred Inflows of Resources</i>	<u>4,952,247</u>	<u>1,177,032</u>	<u>1,864,401</u>	<u>5,496,410</u>	<u>13,490,090</u>
<b>Fund Balances</b>					
Nonspendable	393,328	326,884	59,875	19,444	799,531
Restricted	0	6,993,023	552,511	5,816,958	13,362,492
Committed	940,877	0	0	4,173,773	5,114,650
Assigned	2,441,399	0	0	129,823	2,571,222
Unassigned (Deficit)	14,349,496	0	0	(244,192)	14,105,304
<i>Total Fund Balances</i>	<u>18,125,100</u>	<u>7,319,907</u>	<u>612,386</u>	<u>9,895,806</u>	<u>35,953,199</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$24,530,759</u></u>	<u><u>\$8,626,659</u></u>	<u><u>\$2,680,256</u></u>	<u><u>\$16,562,978</u></u>	<u><u>\$52,400,652</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2024*

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<b>Total Governmental Fund Balances</b>	\$35,953,199
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*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.	69,562,287
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
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<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Delinquent Property Taxes</td> <td style="text-align: right;">207,674</td> </tr> <tr> <td>Municipal Income Taxes</td> <td style="text-align: right;">3,402,730</td> </tr> <tr> <td>Charges for Services</td> <td style="text-align: right;">137,472</td> </tr> <tr> <td>Special Assessments</td> <td style="text-align: right;">250,065</td> </tr> <tr> <td>Fines, Forfeitures and Settlements</td> <td style="text-align: right;">89,624</td> </tr> <tr> <td>Cable Franchise Fees</td> <td style="text-align: right;">32,556</td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">1,263,208</td> </tr> <tr> <td>Investment Earnings/Interest</td> <td style="text-align: right;"><u>26,106</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">5,409,435</td> </tr> </table>	Delinquent Property Taxes	207,674	Municipal Income Taxes	3,402,730	Charges for Services	137,472	Special Assessments	250,065	Fines, Forfeitures and Settlements	89,624	Cable Franchise Fees	32,556	Intergovernmental	1,263,208	Investment Earnings/Interest	<u>26,106</u>	Total	5,409,435	
Delinquent Property Taxes	207,674																		
Municipal Income Taxes	3,402,730																		
Charges for Services	137,472																		
Special Assessments	250,065																		
Fines, Forfeitures and Settlements	89,624																		
Cable Franchise Fees	32,556																		
Intergovernmental	1,263,208																		
Investment Earnings/Interest	<u>26,106</u>																		
Total	5,409,435																		

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(34,512)
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The net pension/OPEB assets and liabilities are not due and payable in the current period; therefore, the liability and related related deferred inflows/outflows are not reported in governmental funds:	
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<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Net Pension Asset</td> <td style="text-align: right;">198,487</td> </tr> <tr> <td>Deferred Outflows - Pension</td> <td style="text-align: right;">10,395,412</td> </tr> <tr> <td>Net Pension Liability</td> <td style="text-align: right;">(32,591,854)</td> </tr> <tr> <td>Deferred Inflows - Pension</td> <td style="text-align: right;">(862,559)</td> </tr> <tr> <td>Net OPEB Asset</td> <td style="text-align: right;">282,199</td> </tr> <tr> <td>Deferred Outflows - OPEB</td> <td style="text-align: right;">1,167,884</td> </tr> <tr> <td>Net OPEB Liability</td> <td style="text-align: right;">(1,856,536)</td> </tr> <tr> <td>Deferred Inflows - OPEB</td> <td style="text-align: right;"><u>(1,804,775)</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">(25,071,742)</td> </tr> </table>	Net Pension Asset	198,487	Deferred Outflows - Pension	10,395,412	Net Pension Liability	(32,591,854)	Deferred Inflows - Pension	(862,559)	Net OPEB Asset	282,199	Deferred Outflows - OPEB	1,167,884	Net OPEB Liability	(1,856,536)	Deferred Inflows - OPEB	<u>(1,804,775)</u>	Total	(25,071,742)	
Net Pension Asset	198,487																		
Deferred Outflows - Pension	10,395,412																		
Net Pension Liability	(32,591,854)																		
Deferred Inflows - Pension	(862,559)																		
Net OPEB Asset	282,199																		
Deferred Outflows - OPEB	1,167,884																		
Net OPEB Liability	(1,856,536)																		
Deferred Inflows - OPEB	<u>(1,804,775)</u>																		
Total	(25,071,742)																		

Accrued vacation leave payable is a contractually required benefit not expected paid with expendable available financial resources and therefore not reported in the funds.	(965,235)
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Deferred outflows of resources represent deferred charges on refundings, which are not reported in the governmental funds.	200,597
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
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<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Police and Fire Pension Loan</td> <td style="text-align: right;">(66,526)</td> </tr> <tr> <td>Claims Payable</td> <td style="text-align: right;">(60,177)</td> </tr> <tr> <td>General Obligation Bonds</td> <td style="text-align: right;">(12,462,453)</td> </tr> <tr> <td>Special Assessment Bonds</td> <td style="text-align: right;">(251,979)</td> </tr> <tr> <td>OPWC Loan</td> <td style="text-align: right;">(948,812)</td> </tr> <tr> <td>Financed Purchases</td> <td style="text-align: right;">(104,338)</td> </tr> <tr> <td>Leases Payable</td> <td style="text-align: right;">(88,649)</td> </tr> <tr> <td>Compensated Absences</td> <td style="text-align: right;"><u>(2,143,047)</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>(16,125,981)</u></td> </tr> </table>	Police and Fire Pension Loan	(66,526)	Claims Payable	(60,177)	General Obligation Bonds	(12,462,453)	Special Assessment Bonds	(251,979)	OPWC Loan	(948,812)	Financed Purchases	(104,338)	Leases Payable	(88,649)	Compensated Absences	<u>(2,143,047)</u>	Total	<u>(16,125,981)</u>	
Police and Fire Pension Loan	(66,526)																		
Claims Payable	(60,177)																		
General Obligation Bonds	(12,462,453)																		
Special Assessment Bonds	(251,979)																		
OPWC Loan	(948,812)																		
Financed Purchases	(104,338)																		
Leases Payable	(88,649)																		
Compensated Absences	<u>(2,143,047)</u>																		
Total	<u>(16,125,981)</u>																		

<i>Net Position of Governmental Activities</i>	<u><u>\$68,928,048</u></u>
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See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2024*

	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,450,432	\$0	\$1,820,795	\$3,148,686	\$6,419,913
Municipal Income Taxes	19,613,416	3,375,182	0	375,000	23,363,598
Permissive Motor Vehicle License Taxes	0	0	0	169,199	169,199
Charges for Services	149,346	0	0	1,517,330	1,666,676
Special Assessments	0	0	0	36,019	36,019
Fees, Licenses and Permits	439,606	0	0	14,542	454,148
Fines, Forfeitures and Settlements	207,851	0	0	116,294	324,145
Cable Franchise Fees	207,282	0	0	122,511	329,793
Intergovernmental	785,441	2,058,443	29,764	1,208,575	4,082,223
Investment Earnings/Interest	664,729	0	0	86,027	750,756
Contributions and Donations	1,585	0	0	0	1,585
Lease Revenue	0	0	0	109,714	109,714
Payments in Lieu of Taxes	0	0	0	604,495	604,495
Other	413,056	16,786	18,735	367,007	815,584
<i>Total Revenues</i>	<i>23,932,744</i>	<i>5,450,411</i>	<i>1,869,294</i>	<i>7,875,399</i>	<i>39,127,848</i>
<b>Expenditures</b>					
Current:					
General Government	4,323,069	0	0	3,112	4,326,181
Security of Persons and Property	7,346,021	0	4,099,033	5,666,894	17,111,948
Public Health Services	16,988	0	0	134,376	151,364
Transportation	89,415	2,868,319	0	441,184	3,398,918
Community Environment	1,147,879	0	0	10,531	1,158,410
Basic Utility Services	2,097,136	0	0	111,274	2,208,410
Leisure Time Activities	870,200	0	0	78,480	948,680
Capital Outlay	4,886	0	0	887,139	892,025
Debt Service:					
Principal Retirement	148,040	0	0	1,576,985	1,725,025
Interest	3,576	0	0	462,978	466,554
<i>Total Expenditures</i>	<i>16,047,210</i>	<i>2,868,319</i>	<i>4,099,033</i>	<i>9,372,953</i>	<i>32,387,515</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>7,885,534</i>	<i>2,582,092</i>	<i>(2,229,739)</i>	<i>(1,497,554)</i>	<i>6,740,333</i>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	0	2,580	0	60,310	62,890
Excess from Sale of Assets Held for Resale	21,674	0	0	0	21,674
Inception of Lease	0	0	0	96,169	96,169
Inception of Subscription	4,886	0	0	0	4,886
Transfers In	0	250,000	2,220,860	3,978,764	6,449,624
Transfers Out	(5,856,617)	0	0	(593,007)	(6,449,624)
<i>Total Other Financing Sources (Uses)</i>	<i>(5,830,057)</i>	<i>252,580</i>	<i>2,220,860</i>	<i>3,542,236</i>	<i>185,619</i>
<i>Net Change in Fund Balances</i>	<i>2,055,477</i>	<i>2,834,672</i>	<i>(8,879)</i>	<i>2,044,682</i>	<i>6,925,952</i>
<i>Fund Balances Beginning of Year</i>	<i>16,069,623</i>	<i>4,485,235</i>	<i>621,265</i>	<i>7,851,124</i>	<i>29,027,247</i>
<i>Fund Balances End of Year</i>	<i>\$18,125,100</i>	<i>\$7,319,907</i>	<i>\$612,386</i>	<i>\$9,895,806</i>	<i>\$35,953,199</i>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2024*

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**Net Change in Fund Balances - Total Governmental Funds** \$6,925,952

***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 exceeded capital outlay and contributions in the current period:

Capital Asset Additions	1,315,870
Capital Contributions	2,488,198
Current Year Depreciation/Amortization	<u>(4,700,534)</u>
Total	(896,466)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (30,314)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(4,490)
Municipal Income Taxes	(78,750)
Charges for Services	(31,293)
Special Assessments	(26,567)
Fines, Forfeitures and Settlements	(8,117)
Cable Franchise Fees	(16,928)
Intergovernmental	(43,796)
Investment Earnings/Interest	9,965
Delinquent Payments in Lieu of Taxes	(1,195)
Other	<u>(13,839)</u>
Total	(215,010)

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

Pension	2,433,904
OPEB	<u>50,988</u>
Total	2,484,892

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

Pension	(3,771,496)
OPEB	3,625
Total	(3,767,871)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,725,025

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

Accrued Interest	5,788
Amortization of Bond Premium	87,116
Amortization of Deferred Charge on Refunding	<u>(55,649)</u>
Total	37,255

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

Compensated Absences	(177,835)
Accrued Vacation Leave	(29,452)
Claims	<u>9,340</u>
Total	(197,947)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Inception of Lease	(4,886)
Inception of Subscriptions	<u>(96,169)</u>
Total	(101,055)

*Change in Net Position of Governmental Activities* \$5,964,461

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 General Fund*  
*For the Year Ended December 31, 2024*

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	<b>Budgeted Amounts</b>			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,438,390	\$1,438,390	\$1,450,432	\$12,042
Municipal Income Taxes	18,690,475	18,855,475	18,465,128	(390,347)
Charges for Services	153,400	153,400	149,753	(3,647)
Fees, Licenses and Permits	393,785	393,785	439,606	45,821
Fines, Forfeitures and Settlements	276,500	276,500	201,501	(74,999)
Cable Franchise Fees	80,000	80,000	69,490	(10,510)
Intergovernmental	789,780	789,780	771,561	(18,219)
Interest	200,000	200,000	545,862	345,862
Contributions and Donations	2,500	2,500	1,585	(915)
Other	276,071	364,803	333,369	(31,434)
<i>Total Revenues</i>	<i>22,300,901</i>	<i>22,554,633</i>	<i>22,428,287</i>	<i>(126,346)</i>
<b>Expenditures</b>				
Current:				
General Government	4,077,193	4,246,857	3,764,565	482,292
Security of Persons and Property	8,782,315	8,508,505	7,440,412	1,068,093
Public Health Services	67,598	67,598	21,030	46,568
Transportation	162,109	152,640	89,709	62,931
Community Environment	1,455,917	1,365,148	1,160,615	204,533
Basic Utility Services	2,127,875	2,688,200	2,381,514	306,686
Leisure Time Activities	1,192,185	1,175,645	863,607	312,038
Debt Service:				
Principal Retirement	143,155	143,155	143,154	1
Interest	3,595	3,595	3,576	19
<i>Total Expenditures</i>	<i>18,011,942</i>	<i>18,351,343</i>	<i>15,868,182</i>	<i>2,483,161</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>4,288,959</i>	<i>4,203,290</i>	<i>6,560,105</i>	<i>2,356,815</i>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets Held for Resale	0	0	56,974	56,974
Advances In	1,117,090	283,491	64,994	(218,497)
Advances Out	0	(669,627)	(669,627)	0
Transfers Out	(6,352,200)	(6,205,717)	(5,956,617)	249,100
<i>Total Other Financing Sources (Uses)</i>	<i>(5,235,110)</i>	<i>(6,591,853)</i>	<i>(6,504,276)</i>	<i>87,577</i>
<i>Net Change in Fund Balance</i>	<i>(946,151)</i>	<i>(2,388,563)</i>	<i>55,829</i>	<i>2,444,392</i>
<i>Fund Balance Beginning of Year</i>	<i>11,961,893</i>	<i>11,961,893</i>	<i>11,961,893</i>	<i>0</i>
<i>Prior Year Encumbrances Appropriated</i>	<i>619,436</i>	<i>619,436</i>	<i>619,436</i>	<i>0</i>
<i>Fund Balance End of Year</i>	<i>\$11,635,178</i>	<i>\$10,192,766</i>	<i>\$12,637,158</i>	<i>\$2,444,392</i>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Street Construction, Maintenance and Repair Fund  
 For the Year Ended December 31, 2024*

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	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Municipal Income Taxes	\$3,253,800	\$3,303,800	\$3,305,203	\$1,403
Charges for Services	10,000	10,000	0	(10,000)
Intergovernmental	1,925,000	1,925,000	2,118,195	193,195
Interest	5,000	5,000	0	(5,000)
Other	20,000	24,939	20,105	(4,834)
<i>Total Revenues</i>	5,213,800	5,268,739	5,443,503	174,764
<b>Expenditures</b>				
Current:				
Transportation	<u>5,869,586</u>	<u>5,950,149</u>	<u>4,937,553</u>	<u>1,012,596</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(655,786)</u>	<u>(681,410)</u>	<u>505,950</u>	<u>1,187,360</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	1,286	2,580	1,294
Transfers In	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>250,000</u>	<u>251,286</u>	<u>252,580</u>	<u>1,294</u>
<i>Net Change in Fund Balance</i>	<u>(405,786)</u>	<u>(430,124)</u>	<u>758,530</u>	<u>1,188,654</u>
<i>Fund Balance Beginning of Year</i>	2,893,950	2,893,950	2,893,950	0
Prior Year Encumbrances Appropriated	<u>680,854</u>	<u>680,854</u>	<u>680,854</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,169,018</u>	<u>\$3,144,680</u>	<u>\$4,333,334</u>	<u>\$1,188,654</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 EMS Levy Fund*  
*For the Year Ended December 31, 2024*

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	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,811,960	\$1,811,960	\$1,820,795	\$8,835
Intergovernmental	28,445	28,445	29,764	1,319
Other	1,000	1,000	22,491	21,491
<i>Total Revenues</i>	<i>1,841,405</i>	<i>1,841,405</i>	<i>1,873,050</i>	<i>31,645</i>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	4,240,924	4,515,924	4,095,884	420,040
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(2,399,519)</i>	<i>(2,674,519)</i>	<i>(2,222,834)</i>	<i>451,685</i>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,241,860	2,405,360	2,220,860	(184,500)
<i>Net Change in Fund Balance</i>	<i>(157,659)</i>	<i>(269,159)</i>	<i>(1,974)</i>	<i>267,185</i>
<i>Fund Balance Beginning of Year</i>	<i>724,806</i>	<i>724,806</i>	<i>724,806</i>	<i>0</i>
Prior Year Encumbrances Appropriated	10,674	10,674	10,674	0
<i>Fund Balance End of Year</i>	<i><u>\$577,821</u></i>	<i><u>\$466,321</u></i>	<i><u>\$733,506</u></i>	<i><u>\$267,185</u></i>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**

*Statement of Fund Net Position*

*Enterprise Fund*

*December 31, 2024*

	Sanitary Sewer
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$11,607,946
Accrued Interest Receivable	39,905
Accounts Receivable	728,067
Materials and Supplies Inventory	3,885
Prepaid Items	82,738
Intergovernmental Receivable	<u>498,841</u>
<i>Total Current Assets</i>	<u>12,961,382</u>
<i>Noncurrent Assets:</i>	
Restricted Assets:	
Net Pension Asset	81,821
Net OPEB Asset	116,330
Nondepreciable Capital Assets	2,925,522
Depreciable Capital Assets, Net	<u>55,868,202</u>
<i>Total Noncurrent Assets</i>	<u>58,991,875</u>
<i>Total Assets</i>	<u>71,953,257</u>
<b>Deferred Outflows of Resources</b>	
Pension	1,077,526
OPEB	<u>110,275</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,187,801</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	131,247
Contracts Payable	124,310
Accrued Wages	118,793
Intergovernmental Payable	421,728
Accrued Interest Payable	3,385
Accrued Vacation Leave Payable	152,657
General Obligation Bonds Payable	485,000
OWDA Loans Payable	622,333
Compensated Absences Payable	<u>178,201</u>
<i>Total Current Liabilities</i>	<u>2,237,654</u>
<i>Long-Term Liabilities (net of current portion):</i>	
General Obligation Bonds Payable	765,000
OWDA Loans Payable	12,143,378
Net Pension Liability	3,308,324
Compensated Absences Payable	<u>237,163</u>
<i>Total Long-Term Liabilities</i>	<u>16,453,865</u>
<i>Total Liabilities</i>	<u>18,691,519</u>
<b>Deferred Inflows of Resources</b>	
Pension	109,871
OPEB	<u>66,564</u>
<i>Total Deferred Outflows of Resources</i>	<u>176,435</u>
<b>Net Position</b>	
Net Investment in Capital Assets	42,792,151
Restricted for Pension Plans	198,151
Unrestricted	<u>11,282,802</u>
<i>Total Net Position</i>	<u>\$54,273,104</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Position  
 Enterprise Fund  
 For the Year Ended December 31, 2024*

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	Sanitary Sewer
<b>Operating Revenues</b>	
Charges for Services	\$9,331,061
Other	<u>22,836</u>
<i>Total Operating Revenues</i>	<u>9,353,897</u>
<b>Operating Expenses</b>	
Personal Services	3,354,466
Materials and Supplies	660,548
Contractual Services	2,873,097
Depreciation	<u>2,426,372</u>
<i>Total Operating Expenses</i>	<u>9,314,483</u>
<i>Operating Income (Loss)</i>	<u>39,414</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Earnings/Interest	434,059
Interest	(251,233)
Loss on Disposal of Capital Assets	<u>(269,564)</u>
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(86,738)</u>
<i>Income (Loss) before Capital Contributions</i>	(47,324)
Capital Contributions	<u>832,925</u>
<i>Change in Net Position</i>	<u>785,601</u>
<i>Net Position Beginning of Year as Previously Reported</i>	53,574,668
<i>Change in Accounting Principles (See Note 18)</i>	(87,165)
<i>Restated Net Position Beginning of Year</i>	<u>53,487,503</u>
<i>Net Position End of Year</i>	<u>\$54,273,104</u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
*For the Year Ended December 31, 2024*

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	Sanitary Sewer
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$9,227,943
Other Cash Receipts	33,629
Cash Payments to Employees for Services	(3,224,754)
Cash Payments for Goods and Services	<u>(3,509,711)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,527,107</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Contributions	805,648
OWDA Loan Proceeds	206,820
Principal Paid on General Obligation Bonds	(470,000)
Interest Paid on General Obligation Bonds	(55,900)
Principal Paid on OWDA Loans	(747,454)
Interest Paid on OWDA Loans	(196,606)
Payments for Capital Acquisitions	<u>(1,439,635)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,897,127)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>415,814</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	1,045,794
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>10,562,152</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$11,607,946</u>

(continued)

**City of North Royalton, Ohio**  
*Statement of Cash Flows (continued)*  
*Enterprise Fund*  
*For the Year Ended December 31, 2024*

	<u>Sanitary Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	<u>\$39,414</u>
Adjustments:	
Depreciation	2,426,372
<i>(Increase) Decrease in Assets and Deferred Outflows:</i>	
Accounts Receivable	(67,125)
Intergovernmental Receivable	(25,200)
Materials and Supplies Inventory	(438)
Prepaid Items	(10,697)
Net Pension Asset	7,406
Deferred Outflows - Pension	452,297
Deferred Outflows - OPEB	133,164
<i>Increase (Decrease) in Liabilities and Deferred Inflows:</i>	
Accounts Payable	17,422
Contracts Payable	16,234
Accrued Wages	24,537
Compensated Absences Payable	2,538
Intergovernmental Payable	1,048
Accrued Vacation Leave Payable	14,643
Net Pension Liability	314,057
Net OPEB Liability	23,377
Deferred Inflows - Pension	(679,210)
Deferred Inflows - OPEB	<u>(162,732)</u>
<i>Total Adjustments</i>	<u>2,487,693</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$2,527,107</u>

**Noncash Capital and Related Financing Activities**

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

At December 31, 2024, the City had contracts payable related to the acquisition of capital assets of \$107,996.

At December 31, 2023, the City had intergovernmental receivables related to capital contributions of \$33,990.

At December 31, 2024, the City had intergovernmental receivables related to capital contributions of \$61,267.

During 2024, the City determined to not complete various wastewater projects. Construction in progress was reduced \$269,564.

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Funds*  
*For the Year Ended December 31, 2024*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	\$441
Cash and Cash Equivalents in Segregated Accounts	<u>3,453</u>

<i>Total Assets</i>	3,894
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**Liabilities**

Intergovernmental Payable	<u>3,453</u>
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**Net Position**

Restricted for Individuals, Organizations and Other Governments	<u><u>\$441</u></u>
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See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*For the Year Ended December 31, 2024*

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**Additions**

Fees, Licenses and Permits for Other Governments	\$5,760
Fines, Forfeitures and Settlements for Other Governments	<u>39,011</u>
<i>Total Additions</i>	<u>44,771</u>

**Deductions**

Fees, Licenses and Permits Distributions to Other Governments	5,631
Fines, Forfeitures and Settlements Distributions to Other Governments	<u>39,011</u>
<i>Total Deductions</i>	<u>44,642</u>

*Change in Fiduciary Net Position* 129

<i>Net Position Beginning of Year</i>	<u>312</u>
<i>Net Position End of Year</i>	<u><u>\$441</u></u>

See accompanying notes to the basic financial statements

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

### ***Reporting Entity***

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

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

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

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

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

### ***Basis of Presentation***

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

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

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

**Fund Accounting**

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

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

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

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

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

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

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

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

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

#### **Measurement Focus**

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

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

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

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

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

***Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for the deferred charges on refundings, pension and OPEB. The deferred outflows of resources related to a deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, leases, pension, OPEB and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there are an enforceable legal claim as of December 31, 2024, but which were levied to finance fiscal year 2025 operations. These amounts have been recorded as a deferred inflow on both the government-wide

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systemic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services, special assessments, fines, forfeitures and settlements, cable franchise fees, investment earnings/interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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

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

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

***Budgetary Process***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended official certificate of estimated resources when the original and final appropriations were enacted by Council.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

***Cash and Cash Equivalents***

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

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

During 2024, investments were limited to US Treasury obligations, a money market account, negotiable certificates of deposits, and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for STAR Ohio, investments are reported at fair value which is based on quoted market prices. The fair value of the money market fund is determined by the fund's current share price.

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

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2024 amounted to \$664,729 which includes \$270,388 assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies legally required to be maintained until the end of a five-year holding period. Restricted assets in the sanitary sewer enterprise fund represent amounts held in trust by the pension and OPEB plans for future benefits.

***Inventory***

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

***Capital Assets***

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

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

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

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

The City's infrastructure consists of roads, sidewalks, traffic signals, bridges and culverts, sewer lines and storm sewers.

The City is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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related to the use of another party's IT software and programs. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

***Interfund Balances***

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

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

***Compensated Absences***

For the City, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The City does not offer noncash settlements. The City uses a last-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For the City, this leave includes sick, overtime, personal, sick leave bonus and vacation time. However, the City also has certain compensated absences that are dependent upon the occurrence of a sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For the City this type of leave includes bereavement leave, military leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary related payments.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is more likely than not that the employer will compensate the employees for the benefits through paid time off or will settle the benefits at separation. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to the amount accrued in one year, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

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

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

***Fund Balance***

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

***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. Nonspendable fund balance in the general fund includes unclaimed monies legally required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants..

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State Statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council also assigned fund balance to cover a gap between estimated resources and appropriations in 2025's budget.

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

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

#### ***Bond Premiums***

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

#### ***Deferred Charge on Refunding***

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

#### ***Operating Revenues and Expenses***

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

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Internal Activity***

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation.

Restricted net position for unclaimed monies represents amounts required to be maintained until the end of a five-year holding period offset by any estimated liability for payments to claimants. Restricted net position for pension and OPEB plans represents the corresponding restricted asset amounts held in trust by the pension and OPEB plan for future benefits. Net position restricted for other purposes include resources restricted for computerization of the mayor's court, community development, leisure time programs and public health services. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***Asset Held for Resale***

Assets received by the City that are intended to be sold off and not used as a part of the City's operations are to be reported as held for resale. As of December 31, 2024, the City sold a parcel of land which was being held for resale.

***Leases and SBITAs***

The City serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

***Lessee*** At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the effective interest method in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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

The City is reporting Subscription-Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long-term debt on the statement of net position.

**Estimates**

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

**Note 3 - Budgetary Basis of Accounting**

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Investments are reported at cost (budget) rather than at fair value (GAAP).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.

**City of North Royalton, Ohio**  
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7. Budgetary revenues and expenditures of the city income tax, improvement holdings, building construction and accrued balances funds are classified to general fund for GAAP Reporting.

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

Net Change in Fund Balances			
	General	Street Construction, Maintenance and Repair	EMS Levy
GAAP Basis	\$2,055,477	\$2,834,672	(\$8,879)
Net Adjustment for Revenue Accruals	(290,254)	(6,908)	3,756
Perspective Difference:			
City Income Tax	8,449	0	0
Improvement Holdings	316,618	0	0
Building Construction	61,932	0	0
Accrued Balances	(17,902)	0	0
Beginning Change in Fair Value of Investments	10,021	0	0
Ending Change in Fair Value of Investments	(86,875)	0	0
Beginning Unrecorded Cash	9,410	0	0
Ending Unrecorded Cash	(16,488)	0	0
Net Adjustment for Expenditure Accruals	(463,358)	(221,735)	25,159
Advances In	64,994	0	0
Advances Out	(669,627)	0	0
Adjustments for Encumbrances	<u>(926,568)</u>	<u>(1,847,499)</u>	<u>(22,010)</u>
Budget Basis	<u><u>\$55,829</u></u>	<u><u>\$758,530</u></u>	<u><u>(\$1,974)</u></u>

#### **Note 4 – Fund Balances**

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

Fund Balances	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total
<u><b>Nonspendable:</b></u>					
Inventory	\$34,950	\$281,450	\$0	\$0	\$316,400
Prepays	349,451	45,434	59,875	19,444	474,204
Unclaimed Monies	8,927	0	0	0	8,927
<i>Total Nonspendable</i>	<u><u>\$393,328</u></u>	<u><u>\$326,884</u></u>	<u><u>\$59,875</u></u>	<u><u>\$19,444</u></u>	<u><u>\$799,531</u></u>

(continued)

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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Fund Balances (continued)	General	Street Construction, Maintenance and Repair	EMS Levy	Other Governmental Funds	Total
<b>Restricted for:</b>					
Police Department	\$0	\$0	\$0	\$1,522,135	\$1,522,135
Fire and EMS Department	0	0	552,511	318,166	870,677
Enforcement and Education	0	0	0	519,061	519,061
Street Maintenance	0	6,993,023	0	595,410	7,588,433
Recycling	0	0	0	7,648	7,648
Aging	0	0	0	14,405	14,405
Public Health	0	0	0	50,870	50,870
Opioid Settlement	0	0	0	62,527	62,527
General Government	0	0	0	96,135	96,135
Community Development	0	0	0	24,284	24,284
Leisure Time Activities	0	0	0	247,056	247,056
Debt Service	0	0	0	516,786	516,786
Capital Improvements	0	0	0	1,842,475	1,842,475
<i>Total Restricted</i>	<i>0</i>	<i>6,993,023</i>	<i>552,511</i>	<i>5,816,958</i>	<i>13,362,492</i>
<b>Committed to:</b>					
Clothing Contract	6,259	0	0	0	6,259
Municipal Emergency Services	25,359	0	0	0	25,359
Landfill Contract	147,740	0	0	0	147,740
Dispatch Contract	40,841	0	0	0	40,841
Engineering Services	20,976	0	0	0	20,976
Contractual Services	59,536	0	0	0	59,536
Materials and Supplies	13,574	0	0	0	13,574
Aging	0	0	0	440,981	440,981
Capital Improvements	0	0	0	3,732,792	3,732,792
Accrued Balances	626,592	0	0	0	626,592
<i>Total Committed</i>	<i>940,877</i>	<i>0</i>	<i>0</i>	<i>4,173,773</i>	<i>5,114,650</i>
<b>Assigned to:</b>					
Purchases on Order:					
General Government	81,879	0	0	0	81,879
Security of Persons and Property	100,457	0	0	0	100,457
Public Health Services	2,620	0	0	0	2,620
Transportation	1,912	0	0	0	1,912
Community Environment	311,303	0	0	0	311,303
Leisure Time Activities	46,386	0	0	0	46,386
Capital Improvements	0	0	0	129,823	129,823
2025 Operations	1,896,842	0	0	0	1,896,842
<i>Total Assigned</i>	<i>2,441,399</i>	<i>0</i>	<i>0</i>	<i>129,823</i>	<i>2,571,222</i>
Unassigned (Deficit)	14,349,496	0	0	(244,192)	14,105,304
<b>Total Fund Balances</b>	<b>\$18,125,100</b>	<b>\$7,319,907</b>	<b>\$612,386</b>	<b>\$9,895,806</b>	<b>\$35,953,199</b>

## Note 5 - Deposits and Investments

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

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

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

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

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

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

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2024, \$23,879 of the City's total bank balance of \$17,776,519 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the City's financial institutions negotiated a reduced collateral floor of 85 percent with the Ohio Pooled Collateral System (OPCS) resulting in the uninsured and uncollateralized balance.

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

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

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

**City of North Royalton, Ohio**  
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**Investments**

As of December 31, 2024, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's	Percent of Total Investments
Net Asset Value (NAV) Per Share:				
STAR Ohio	<u>\$8,401,311</u>	Average 46.4 Days	Aaa	N/A
Fair Value - Level One Inputs:				
Money Market Account	<u>1,197,874</u>	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
U.S. Treasury Notes	8,007,410	Less than one year	Aaa	
U.S. Treasury Notes	2,855,933	Less than two years	Aaa	
U.S. Treasury Notes	2,981,362	Less than three years	Aaa	
U.S. Treasury Notes	495,390	Less than four years	Aaa	
Total U.S. Treasury Notes	<u>14,340,095</u>			53.97%
Negotiable Certificates of Deposit	403,319	Less than one year	N/A	
Negotiable Certificates of Deposit	988,502	Less than two years	N/A	
Negotiable Certificates of Deposit	<u>1,239,379</u>	Less than three years	N/A	
Total Negotiable Certificates of Deposit	<u>2,631,200</u>			9.90%
Total Portfolio	<u><u>\$26,570,480</u></u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2024. The money market account is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

## **Note 6 - Receivables**

Receivables at December 31, 2024, consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, permissive motor vehicle license taxes, leases, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest, and accounts (billings for user charged services and Opioid settlement monies).

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

Special assessments expected to be collected in more than one year amount to \$224,498 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$14,487.

### ***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections of 2023 taxes.

2024 real property taxes were levied after October 1, 2024, on the assessed value as of January 1, 2024, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2024 real property taxes are collected in and intended to finance 2025

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2024 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2024, and are collected in 2025 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2024, was \$8.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2024 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$898,629,170
Commercial Industrial/PU	157,706,360
Public Utility Property	32,337,460
Total Assessed Value	<u><u>\$1,088,672,990</u></u>

**City of North Royalton, Ohio**  
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The Cuyahoga County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2024, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2024 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

### ***Income Tax***

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

Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, the first one (1) percent of income tax collections are credited to the following funds: \$200,000 per year to the police facility operations fund, \$175,000 to the office on aging fund, and six percent to the City income tax fund. The remaining balance is credited to the general fund. The additional one percent revenue earned on the increased tax rate is credited to the following funds: at least 40 percent to the general fund, up to 40 percent to the street construction, maintenance, and repair fund, and up to 20 percent to the storm water and drainage fund. The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.06 percent.

### ***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amounts</u>		<u>Amounts</u>
<b>Governmental:</b>		<b>Business-Type:</b>	
Gasoline Tax	\$909,081	Sale of Property	\$310,000
Homestead and Rollback	306,082	Governmental Reimbursements	138,767
Local Government	292,439	Charges for Services	50,074
Motor Vehicle License Registration	141,939	Total Business-Type	<u>\$498,841</u>
Cuyahoga County	79,182		
Sprague Road	72,129		
Miscellaneous	58,366		
Ohio Department of Public Safety	12,556		
Court	2,403		
Total Governmental	<u>\$1,874,177</u>		

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***Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City/County reported \$89,624 as an accounts receivable related to opioid settlement monies in OneOhio special revenue fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$78,983 not expected to be collected within one year of the date of the financial statements.

***Leases Receivable***

The City is reporting leases receivable of \$431,786 in other governmental funds at December 31, 2024. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2024, the City recognized lease revenue of \$80,417, \$20,181 and \$9,116 and interest revenue of \$10,591, \$5,199 and \$1,384 in the YMCA special revenue fund and the future capital improvement and YMCA capital reserve capital projects funds, respectively, related to lease payments received. The City is reporting a deferred inflow-leases in the amount of \$473,869 for lease receivable payments that have been prepaid in other governmental funds at December 31, 2024. For 2024, the City recognized lease revenue of \$5,000 related to the payment that would have been made in 2024. These lease revenue amounts exclude short-term leases. A description of the City's leasing arrangements is as follows:

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

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

A summary of future lease amounts receivable is as follows:

Year	YMCA		Future Capital Improvements		YMCA Capital Reserve	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$83,277	\$7,731	\$25,920	\$4,537	\$9,440	\$1,060
2026	86,239	4,769	26,770	3,687	13,324	668
2027	89,305	1,702	27,648	2,809	11,817	194
2028	0	0	28,554	1,903	0	0
2029	0	0	29,492	967	0	0
	<b><u>\$258,821</u></b>	<b><u>\$14,202</u></b>	<b><u>\$138,384</u></b>	<b><u>\$13,903</u></b>	<b><u>\$34,581</u></b>	<b><u>\$1,922</u></b>

***Payments in Lieu of Taxes***

According to State law, the City has established tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues

**City of North Royalton, Ohio**  
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until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

## **Note 7 - Contingencies**

### ***Grants***

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2024.

### ***Litigation***

The City is party to legal proceedings. In the opinion of management, any claims and/or lawsuits pending against the City will not have a material adverse effect on the overall financial position of the City at December 31, 2024.

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

### ***Compensated Absences***

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

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

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

The City provides health insurance through United Health Care to its employees. The City also provides dental, vision, life and accidental death and dismemberment insurance through MetLife. Effective January 1, 2025, the City changed dental insurance providers to United Health Care.

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**Note 9 - Risk Management**

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

Company Name and Coverage	Deductible	Coverage
Selective Insurance Company of America		
Commercial General Liability	No Deductible	\$1,000,000/\$3,000,000
Commercial Automobile Liability	No Deductible	\$1,000,000
Automobile Physical Damage	\$1,000/\$1,000	Actual cash value/Agreed value auto liability
Property Coverage	\$10,000	\$98,997,494
Electronic Data Processing	\$1,000	Included in property coverage
Public Officials Liability	\$10,000	\$1,000,000/\$2,000,000
Employee Practices Liability	\$10,000	\$1,000,000/\$2,000,000
Law Enforcement Liability	\$5,000	\$1,000,000/\$1,000,000
Crime Coverage - Employee Theft	\$1,000	\$100,000
Umbrella Liability	No Deductible	\$10,000,000
Inland Marine Coverage	\$1,000	\$4,116,932
Blanket Position Bond	\$1,000	\$100,000
Employee Benefits Liability	\$1,000	\$1,000,000/\$3,000,000
Ohio Stop Gap Liability	No Deductible	\$1,000,000
Sewer Backup	No Deductible	\$1,000,000
Flood/Earthquake	\$50,000	\$3,000,000
Boiler and Machinery	\$10,000	\$98,997,494
Property and Casualty Terrorism Coverage (Act of 2022)		Included in property coverage
Cyber Insurance (Effective July 1, 2024 to July 1, 2025)	\$25,000	\$2,000,000
Merchants Bonding Company		
Individual Public Employee Bonds:		
Mayor	No Deductible	\$50,000
Director of Finance	No Deductible	\$50,000
Police Chief	No Deductible	\$25,000

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

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

***Retrospective Workers' Compensation Program***

The City participates in the State Workers' Compensation group retrospective rating and payment system. The Plan involves the annual payment of a premium to the Ohio Bureau of Workers' Compensation (BWC) based upon medical claims with a max claim value, compensation, and any reserves assigned by the BWC. The Ohio BWC uses 4 years' worth of claims cost to develop our experience and subsequent rates. There is a separate service fee to Sedgwick, the City's third-party administrator, and premium payments are paid annually directly to the Ohio Bureau of Workers' Compensation.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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The claims liability of \$60,177 reported in governmental activities is based on the requirements of GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the funds claims liability amount in 2023 and 2024 were as follows:

	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2023	\$184,162	\$21,797	\$136,442	\$69,517
2024	69,517	187,133	196,473	60,177

## **Note 10 - Capital Assets**

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

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets</i>				
Land	\$4,782,232	\$0	\$0	\$4,782,232
Construction in Progress	919,017	926,243	(1,115,837)	729,423
<i>Total Nondepreciable Capital Assets</i>	<u>5,701,249</u>	<u>926,243</u>	<u>(1,115,837)</u>	<u>5,511,655</u>
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Buildings and Improvements	27,097,477	1,035,093	(26,000)	28,106,570
Furniture, Fixtures and Equipment	4,134,795	398,562	(84,529)	4,448,828
Vehicles	7,762,028	187,765	(495,726)	7,454,067
Infrastructure				
Pavement and Sidewalks	90,518,005	2,271,187	0	92,789,192
Traffic Signals	3,091,751	0	0	3,091,751
Culverts and Bridges	3,273,470	0	0	3,273,470
<i>Total Tangible Assets</i>	<u>135,877,526</u>	<u>3,892,607</u>	<u>(606,255)</u>	<u>139,163,878</u>
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Equipment	0	96,169	0	96,169
<i>Subscription Assets</i>				
Intangible Right to Use - Software	0	4,886	0	4,886
<i>Total Intangible Assets</i>	<u>0</u>	<u>101,055</u>	<u>0</u>	<u>101,055</u>
<i>Total Depreciable Capital Assets</i>	<u>\$135,877,526</u>	<u>\$3,993,662</u>	<u>(\$606,255)</u>	<u>\$139,264,933</u>

(continued)

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
<b>Governmental Activities (continued)</b>				
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Buildings and Improvements	(\$10,013,543)	(\$757,496)	\$24,700	(\$10,746,339)
Furniture, Fixtures and Equipment	(1,770,597)	(278,632)	80,302	(1,968,927)
Vehicles	(3,983,380)	(567,006)	470,939	(4,079,447)
Infrastructure				
Pavement and Sidewalks	(51,221,634)	(2,987,885)	0	(54,209,519)
Traffic Signals	(2,849,911)	(26,457)	0	(2,876,368)
Culverts and Bridges	(1,250,643)	(62,195)	0	(1,312,838)
<i>Total Depreciation</i>	<u>(71,089,708)</u>	<u>(4,679,671)</u>	<u>575,941</u>	<u>(75,193,438)</u>
<i>Amortization</i>				
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Equipment	0	(19,234)	0	(19,234)
<i>Subscription Assets</i>				
Intangible Right to Use - Software	0	(1,629)	0	(1,629)
<i>Total Intangible Assets</i>	<u>0</u>	<u>(20,863)</u>	<u>0</u>	<u>(20,863)</u>
<i>Total Accumulated Depreciation/Amortization</i>	<u>(71,089,708)</u>	<u>(4,700,534) *</u>	<u>575,941</u>	<u>(75,214,301)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>64,787,818</u>	<u>(706,872)</u>	<u>(30,314)</u>	<u>64,050,632</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$70,489,067</u>	<u>\$219,371</u>	<u>(\$1,146,151)</u>	<u>\$69,562,287</u>

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

	Amortization			
	Depreciation	Lease	Subscription	Total
General Government	\$300,021	\$0	\$1,629	\$301,650
Security of Persons and Property	578,298	19,234	0	597,532
Public Health Services	20,589	0	0	20,589
Transportation	3,328,147	0	0	3,328,147
Community Environment	21,184	0	0	21,184
Leisure Time Activities	431,432	0	0	431,432
<b>Total</b>	<b><u>\$4,679,671</u></b>	<b><u>\$19,234</u></b>	<b><u>\$1,629</u></b>	<b><u>\$4,700,534</u></b>

**City of North Royalton, Ohio**  
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	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$284,026	\$0	\$0	\$284,026
Construction in Progress	2,856,138	1,318,595	(1,533,237)	2,641,496
<i>Total Capital Assets, not being depreciated</i>	<u>3,140,164</u>	<u>1,318,595</u>	<u>(1,533,237)</u>	<u>2,925,522</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	20,815,106	0	0	20,815,106
Land Improvements	16,575,026	0	0	16,575,026
Machinery and Equipment	12,526,731	1,356,760	0	13,883,491
Vehicles	2,939,126	0	0	2,939,126
Infrastructure				
Sewer Lines	20,761,472	0	0	20,761,472
Storm Sewers	36,816,529	0	0	36,816,529
<i>Total Capital Assets, being depreciated</i>	<u>110,433,990</u>	<u>1,356,760</u>	<u>0</u>	<u>111,790,750</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(4,524,973)	(584,761)	0	(5,109,734)
Land Improvements	(13,558,118)	(170,887)	0	(13,729,005)
Machinery and Equipment	(10,105,192)	(335,236)	0	(10,440,428)
Vehicles	(1,965,149)	(232,807)	0	(2,197,956)
Infrastructure				
Sewer Lines	(8,986,259)	(403,165)	0	(9,389,424)
Storm Sewers	(14,356,485)	(699,516)	0	(15,056,001)
<i>Total Accumulated Depreciation</i>	<u>(53,496,176)</u>	<u>(2,426,372)</u>	<u>0</u>	<u>(55,922,548)</u>
Total Capital Assets being depreciated, net	<u>56,937,814</u>	<u>(1,069,612)</u>	<u>0</u>	<u>55,868,202</u>
Business-Type Activities Capital Assets, Net	<u><u>\$60,077,978</u></u>	<u><u>\$248,983</u></u>	<u><u>(\$1,533,237)</u></u>	<u><u>\$58,793,724</u></u>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 11 - Long-Term Obligations**

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

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>				
<i>General Obligation Bonds</i>				
Street Improvement Bonds	2012	3.25 %	\$355,000	December 1, 2026
Various Purpose Refunding Bonds	2014	2.35	2,356,000	December 1, 2025
Various Purpose (YMCA) Bonds	2014	1.50 to 4.00	7,435,000	December 1, 2025
Refunding Bonds	2015	2.00 to 3.50	3,835,000	December 1, 2028
Roadway Bonds	2015	2.00 to 4.00	1,170,000	December 1, 2035
City Hall Bonds	2015	2.00 to 4.00	3,015,000	December 1, 2035
Refunding Bonds YMCA Project	2021	3.00 to 4.00	4,710,000	December 1, 2039
Energy Conservation Refunding Bonds	2021	3.00 to 4.00	2,380,000	December 1, 2034
Fire Engine Bonds	2021	3.00 to 4.00	690,000	December 1, 2031
<i>Special Assessment Bonds with Governmental Commitment</i>				
Edgerton Sewer	2015	2.00 to 4.00	270,000	December 1, 2035
Refunding Bonds	2015	2.00 to 3.50	145,000	December 1, 2028
<i>OPWC Loans from Direct Borrowings</i>				
Bunker/Ridgedale Waterline	2005	0.00	522,120	July 1, 2026
Bennett Road Improvements	2013	0.00	1,223,822	July 1, 2035
Sprague Road Resurfacing	2014	0.00	464,600	July 1, 2036
<b>Business-Type Activities:</b>				
<i>General Obligation Bonds</i>				
Storm Sewer Improvements	2012	3.25	5,040,000	December 1, 2026
<i>OWDA Loans from Direct Borrowings</i>				
Influent Pump Station	2018	2.06	4,493,739	July 1, 2032
Tertiary Filters and UV Replacement	2021	2.25	3,066,134	January 1, 2041
Blower Control Building	2022	1.28	6,011,782	January 1, 2042
B Pump Station Conversion	2022	1.86	2,727,532	N/A

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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Changes in the City's long-term obligations during the year ended December 31, 2024, consist of the following:

	Outstanding 1/1/2024	Additions	Reductions	Outstanding 12/31/2024	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2012 Street Improvement Term Bonds	\$125,000	\$0	\$35,000	\$90,000	\$35,000
2014 Various Purpose Refunding Term Bonds	486,000	0	243,000	243,000	243,000
2014 Various Purpose (YMCA) Serial Bonds	405,000	0	30,000	375,000	30,000
2015 Refunding Bonds					
Serial Bonds	2,120,000	0	395,000	1,725,000	410,000
Unamortized Premium	97,366	0	19,473	77,893	0
2015 Roadway Bonds					
Serial Bonds	785,000	0	55,000	730,000	55,000
Unamortized Premium	32,412	0	2,701	29,711	0
2015 City Hall Bonds					
Serial Bonds	2,015,000	0	140,000	1,875,000	145,000
Unamortized Premium	83,461	0	6,955	76,506	0
2021 Refunding Bonds YMCA Project					
Serial Bonds	880,000	0	205,000	675,000	215,000
Term Bonds	3,450,000	0	0	3,450,000	0
Unamortized Premium	400,149	0	25,009	375,140	0
2021 Energy Conservation Refunding Bonds					
Serial Bonds	1,035,000	0	155,000	880,000	165,000
Term Bonds	1,055,000	0	0	1,055,000	0
Unamortized Premium	252,260	0	22,933	229,327	0
2021 Fire Engine Bonds					
Serial Bonds	415,000	0	65,000	350,000	65,000
Term Bonds	160,000	0	0	160,000	0
Unamortized Premium	75,287	0	9,411	65,876	0
<b>Total General Obligation Bonds</b>	<b>13,871,935</b>	<b>0</b>	<b>1,409,482</b>	<b>12,462,453</b>	<b>1,363,000</b>
<b>Special Assessment Bonds with Governmental Commitment:</b>					
2015 Edgerton Sewer					
Serial Bonds	190,000	0	15,000	175,000	15,000
Unamortized Premium	7,613	0	634	6,979	0
2015 Refunding Serial Bonds	85,000	0	15,000	70,000	20,000
<b>Total Special Assessment Bonds</b>	<b>282,613</b>	<b>0</b>	<b>30,634</b>	<b>251,979</b>	<b>35,000</b>
<b>OPWC Loans Payable from Direct Borrowings</b>					
Bunker/Ridgedale Waterline	65,265	0	26,106	39,159	26,106
Bennett Road Improvements	703,699	0	61,191	642,508	61,191
Sprague Road Resurfacing	290,375	0	23,230	267,145	23,230
<b>Total OPWC Loans</b>	<b>1,059,339</b>	<b>0</b>	<b>110,527</b>	<b>948,812</b>	<b>110,527</b>
<b>Net Pension Liability</b>					
OPERS	9,404,215	0	1,378,779	8,025,436	0
OP&F	24,149,204	417,214	0	24,566,418	0
<b>Total Net Pension Liability</b>	<b>33,553,419</b>	<b>417,214</b>	<b>1,378,779</b>	<b>32,591,854</b>	<b>0</b>
<b>Net OPEB Liability</b>					
OPERS	205,732	0	205,732	0	0
OP&F	1,810,030	46,506	0	1,856,536	0
<b>Total Net OPEB Liability</b>	<b>2,015,762</b>	<b>46,506</b>	<b>205,732</b>	<b>1,856,536</b>	<b>0</b>
<b>Other Long-Term Obligations</b>					
Accrued Police and Fire Pension Liability	71,488	0	4,962	66,526	5,175
Financed Purchase from Direct Borrowing	348,468	0	244,130	104,338	104,338
Claims Payable	69,517	0	9,340	60,177	0
Lease Payable	0	96,169	7,520	88,649	20,568
Subscription Payable	0	4,886	4,886	0	0
Compensated Absences	1,965,212	177,835	0	2,143,047	608,554
<b>Total Other Long-Term Obligations</b>	<b>2,454,685</b>	<b>278,890</b>	<b>270,838</b>	<b>2,462,737</b>	<b>738,635</b>
<b>Total Governmental Activities</b>	<b>\$53,237,753</b>	<b>\$742,610</b>	<b>\$3,405,992</b>	<b>\$50,574,371</b>	<b>\$2,247,162</b>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

	Outstanding 1/1/2024	Additions	Reductions	Outstanding 12/31/2024	Amounts Due in One Year
<b>Business Type Activities</b>					
<i>General Obligation Bonds</i>					
2012 Storm Sewer Term Improvements	\$1,720,000	\$0	\$470,000	\$1,250,000	\$485,000
<i>OWDA Loans from Direct Borrowings</i>					
Influent Pump Station	3,333,194	0	207,681	3,125,513	211,981
Tertiary Filters and UV Replacement	2,688,951	0	131,459	2,557,492	134,434
Blower Control Building	5,477,260	0	272,420	5,204,840	275,918
B Pump Station Conversion	1,806,940	206,820	135,894	1,877,866	0
<i>Total OWDA Loans from Direct Borrowings</i>	<i>13,306,345</i>	<i>206,820</i>	<i>747,454</i>	<i>12,765,711</i>	<i>622,333</i>
<i>Other Long-Term Obligations</i>					
Net Pension Liability OPERS	3,963,539	0	655,215	3,308,324	0
Net OPEB Liability OPERS	86,708	0	86,708	0	0
Compensated Absences	412,826	2,538	0	415,364	178,201
<i>Total Other Long-Term Obligations</i>	<i>4,463,073</i>	<i>2,538</i>	<i>741,923</i>	<i>3,723,688</i>	<i>178,201</i>
<i>Total Business-Type Activities</i>	<i>\$19,489,418</i>	<i>\$209,358</i>	<i>\$1,959,377</i>	<i>\$17,739,399</i>	<i>\$1,285,534</i>

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

Increases and decreases to compensated absences are presented net on the previous table. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the police facility, street construction, maintenance and repair, aging, police pension and fire pension special revenue funds and the sanitary sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 12 and 13.

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

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

Year	Issue
	\$5,395,000
2025	\$520,000
Amount Due at Stated Maturity	820,000
Total	<u><u>\$1,340,000</u></u>
<i>Stated Maturity</i>	<i>12/1/2026</i>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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On May 21, 2014, the City issued \$7,435,000 in various purpose (YMCA) general obligation bonds. The bonds were issued for a period of twenty years at interest rates varying between 1.5 and 4.0 percent with a final maturity in 2034. In 2021, \$5,177,826 of these bonds were refunded to take advantage of lower interest rates. At December 31, 2024, the remaining principal on the original issue is \$375,000. The bonds will be retired from the general obligation bond retirement debt service fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City's outstanding OPWC loans from direct borrowings related to governmental activities of \$948,812, contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$12,765,711 related to business-type activities contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

A line of credit has been established with OWDA for the B Pump Station Conversion project at the Wastewater Treatment Plant in the amount of \$2,727,532. The City has entered into contractual agreements for construction loans from OWDA. Under the terms of those agreements, OWDA will reimburse, advance or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The loan will not have an accurate repayment schedule until the loan is finalized and, therefore, it is not included in the schedule of future annual debt service requirements. As of December 31, 2024, the balance of the loan is \$1,877,866.

The City's overall debt margin was \$101,471,325 and the unvoted legal debt margin was \$47,037,675 at December 31, 2024. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2024, are as follows:

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***Governmental Activities***

	General Obligation Bonds		Special Assessment Bonds	
	Serial and Term Bonds		Serial Bonds	
	Principal	Interest	Principal	Interest
2025	\$1,363,000	\$396,086	\$35,000	\$8,913
2026	1,170,000	350,563	35,000	7,775
2027	1,165,000	307,425	30,000	6,550
2028	1,200,000	264,075	30,000	5,500
2029	780,000	221,875	15,000	4,450
2030-2034	4,060,000	704,275	80,000	13,925
2035-2039	1,870,000	156,600	20,000	800
Total	<u>\$11,608,000</u>	<u>\$2,400,899</u>	<u>\$245,000</u>	<u>\$47,913</u>

	From Direct Borrowings			Accrued Police and Fire	
	OPWC Loans		Financed Purchases	Pension Liability	
	Principal	Principal	Interest	Principal	Interest
2025	\$110,527	\$104,338	\$3,474	\$5,175	\$2,773
2026	97,475	0	0	5,397	2,551
2027	84,421	0	0	5,629	2,319
2028	84,421	0	0	5,870	2,077
2029	84,421	0	0	6,122	1,825
2030-2034	422,106	0	0	34,792	4,946
2035-2036	65,441	0	0	3,541	77
Total	<u>\$948,812</u>	<u>\$104,338</u>	<u>\$3,474</u>	<u>\$66,526</u>	<u>\$16,568</u>

***Business-Type Activities***

	General Obligation Bonds		From Direct Borrowings	
	Term Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2025	\$485,000	\$40,625	\$622,333	\$185,833
2026	765,000	24,863	633,308	174,859
2027	0	0	644,487	163,679
2028	0	0	655,875	152,291
2029	0	0	667,477	140,689
2030-2034	0	0	3,519,180	521,651
2035-2039	0	0	3,284,613	205,657
2040-2041	0	0	860,572	13,974
Total	<u>\$1,250,000</u>	<u>\$65,488</u>	<u>\$10,887,845</u>	<u>\$1,558,633</u>

**City of North Royalton, Ohio**  
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***Leases Payable***

The City has outstanding agreement to lease equipment. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. These leases will be paid from the police levy special revenue fund. A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Governmental Activities	
	Principal	Interest
2025	\$20,568	\$4,432
2026	21,596	3,404
2027	22,676	2,324
2028	23,809	1,190
Total	<u>\$88,649</u>	<u>\$11,350</u>

**Note 12 – Defined Benefit Pension Plans**

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

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

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature.

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Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2024, the Combined Plan was consolidated into the traditional pension plan, as approved by the legislature in House Bill 33. The traditional pension plan includes members of the legacy combined plan, a hybrid defined benefit/defined contribution plan which was closed to new members effective January 1, 2022. New members are no longer able to select the combined plan and current members are no longer able to make a plan change to the combined plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024, as a separate division. No changes were made to the benefit design features of the combined plan as part of this consolidation so that members in this plan will experience no changes. The City's 2024 net pension liability (asset) for OPERS is measured as of December 31, 2023, and reflects the traditional plan and the combined plan as two separate plans. The City's 2025 financial statements will reflect the effects of the combined plan being consolidated into the traditional pension plan.

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

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

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

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

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

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.

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

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

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When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	State and Local	
	Traditional	Combined
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	<u>0.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>

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

\*\* These pension and employer health care rates are for the traditional and combined plans.

The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

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

For 2024, the City's contractually required contribution was \$1,027,451 for the traditional plan, \$44,847 for the combined plan and \$29,900 for the member-directed plan. Of these amounts, \$107,414 is reported as an intergovernmental payable for the traditional plan, \$4,693 for the combined plan and \$3,129 for the member-directed plan.

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

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

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

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

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

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

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

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

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

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

	Police	Firefighters
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,674,610 for 2024. Of this amount, \$167,272 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2024 the specific liability of the City was \$66,526 payable in semi-annual payments through the year 2035.

***Pension Liabilities (Asset), 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, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS	OPERS		
	Traditional Plan	Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0432910%	0.0911920%	0.2542744%	
Prior Measurement Date	0.0452530%	0.0874640%	0.2542281%	
Change in Proportionate Share	<u>-0.0019620%</u>	<u>0.0037280%</u>	<u>0.0000463%</u>	
Proportionate Share of the:				
Net Pension Liability	\$11,333,760	\$0	\$24,566,418	\$35,900,178
Net Pension (Asset)	0	(280,308)	0	(280,308)
Pension Expense	1,259,402	15,164	2,904,484	4,179,050

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2024 pension expense for the member-directed defined contribution plan was \$29,900. The aggregate pension expense for all pension plans was \$4,149,150 for 2024.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$185,241	\$11,359	\$788,654	\$985,254
Changes of assumptions	0	10,402	1,552,571	1,562,973
Net difference between projected and actual earnings on pension plan investments	2,287,636	45,590	2,783,892	5,117,118
Changes in proportion and differences between City contributions and proportionate share of contributions	56,873	378	1,002,428	1,059,679
City contributions subsequent to the measurement date	<u>1,027,451</u>	<u>44,847</u>	<u>1,674,610</u>	<u>2,746,908</u>
Total Deferred Outflows of Resources	<u><u>\$3,557,201</u></u>	<u><u>\$112,576</u></u>	<u><u>\$7,802,155</u></u>	<u><u>\$11,471,932</u></u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$0	\$27,724	\$274,747	\$302,471
Changes of assumptions	0	0	373,069	373,069
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>229,288</u>	<u>26,233</u>	<u>40,363</u>	<u>295,884</u>
Total Deferred Inflows of Resources	<u><u>\$229,288</u></u>	<u><u>\$53,957</u></u>	<u><u>\$688,179</u></u>	<u><u>\$971,424</u></u>

\$2,746,908 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2025	\$468,799	\$1,929	\$1,640,238	\$2,110,966
2026	697,572	7,548	1,665,881	2,371,001
2027	1,459,841	21,448	2,102,044	3,583,333
2028	(325,750)	(11,353)	(84,024)	(421,127)
2029	0	(2,344)	111,868	109,524
Thereafter	0	(3,456)	3,359	(97)
Total	<u><u>\$2,300,462</u></u>	<u><u>\$13,772</u></u>	<u><u>\$5,439,366</u></u>	<u><u>\$7,753,600</u></u>

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***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees (Current Year)	2.3 percent, simple through 2024, then 2.05 percent, simple	2.3 percent, simple through 2024, then 2.05 percent, simple
Post-January 7, 2013 Retirees (Prior Year)	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

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

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benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability (asset):</b>			
OPERS Traditional Plan	\$17,842,386	\$11,333,760	\$5,920,477
OPERS Combined Plan	(169,617)	(280,308)	(367,504)

**City of North Royalton, Ohio**  
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***Actuarial Assumptions – OP&F***

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants, which was 6.03 years at December 31, 2023.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2023, are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	2.2 percent simple per year

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

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

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

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

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

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

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Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.10 %
Non-US Equity	12.40	4.90
Private Markets	10.00	7.30
Core Fixed Income *	25.00	2.40
High Yield Fixed Income	7.00	4.10
Private Credit	5.00	6.80
U.S. Inflation Linked Bonds*	15.00	2.10
Midstream Energy Infrastructure	5.00	5.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Private Real Estate	12.00	5.40
Commodities	2.00	3.50
<b>Total</b>	<b>125.00 %</b>	

Note: Assumptions are geometric.

\* levered 2.0x

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 in the previous table, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2023, 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 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 be available to make all future benefit payment 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. 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:

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$32,540,048	\$24,566,418	\$17,935,566

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## **Note 13 – Defined Benefit OPEB Plans**

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program.

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

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

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

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

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

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

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

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

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

**Group A** 30 years of qualified health care service credit;

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

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

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

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>	<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>	<b>Age and Service Requirements</b> <i>December 1, 2014 or Prior</i>
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>	<i>January 1, 2015 through December 31, 2021</i>
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

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

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

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

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

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

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

**Funding Policy** – The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$16,587 for 2024. Of this amount, \$1,735 is reported as an intergovernmental payable.

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

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any

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time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, 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.

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

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The City's contractually required contribution to OP&F was \$39,243 for 2024. Of this amount, \$3,982 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0441570%	0.2542744%	
Prior Measurement Date	<u>0.0463810%</u>	<u>0.2542281%</u>	
Change in Proportionate Share	<u>-0.0022240%</u>	<u>0.0000463%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$0	\$1,856,536	\$1,856,536
Net OPEB Asset	(398,529)	0	(398,529)
OPEB Expense	(28,021)	23,047	(4,974)

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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$89,276	\$89,276
Changes of assumptions	102,601	638,852	741,453
Net difference between projected and actual earnings on OPEB plan investments	239,339	137,093	376,432
Changes in proportion and differences between City contributions and proportionate share of contributions	14,515	653	15,168
City contributions subsequent to the measurement date	16,587	39,243	55,830
<b>Total Deferred Outflows of Resources</b>	<b><u>\$373,042</u></b>	<b><u>\$905,117</u></b>	<b><u>\$1,278,159</u></b>

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	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$56,722	\$341,178	\$397,900
Changes of assumptions	171,315	1,195,566	1,366,881
Changes in proportion and differences between City contributions and proportionate share of contributions	0	106,558	106,558
Total Deferred Inflows of Resources	<u>\$228,037</u>	<u>\$1,643,302</u>	<u>\$1,871,339</u>

\$55,830 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 or an increase in the net OPEB asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2025	(\$576)	(\$78,418)	(\$78,994)
2026	23,506	(101,562)	(78,056)
2027	186,304	(61,805)	124,499
2028	(80,816)	(167,717)	(248,533)
2029	0	(171,419)	(171,419)
Thereafter	<u>0</u>	<u>(196,507)</u>	<u>(196,507)</u>
Total	<u>\$128,418</u>	<u>(\$777,428)</u>	<u>(\$649,010)</u>

***Actuarial Assumptions – OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent including wage inflation
Single Discount Rate	5.70 percent
Prior Year Single Discount Rate	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.77 percent
Prior Year Municipal Bond Rate	4.05 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2038
Actuarial Cost Method	Individual Entry Age

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

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

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

**Discount Rate** A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, 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 (Asset) to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.70 percent) or one percentage point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
City's proportionate share of the net OPEB liability (asset)	\$219,019	(\$398,529)	(\$910,076)

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

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Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care 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.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	(\$415,076)	(\$398,529)	(\$379,750)

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, 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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented as follows:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended Discount Rate:	
Current measurement rate	4.07 percent
Prior measurement rate	4.27 percent
Cost-of-Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2038

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

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

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

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

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

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

**Discount Rate** For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contributions 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 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

**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. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$2,286,737	\$1,856,536	\$1,494,222

#### **Note 14 - Jointly Governed Organizations**

**Southwest Council of Governments** The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The board is comprised of one member from each of the twenty-one participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the board. Each city's degree of control is limited to its representation on the board. In 2024, the City contributed \$27,500 to the Southwest Council of Governments.

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

#### **Northeast Ohio Public Energy Council**

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 240 communities in 20 counties who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the seventeen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of North Royalton did not contribute to NOPEC during 2024. Financial information can be obtained on the NOPEC website at [www.nopec.org/who-is-nopec/annual-reports](http://www.nopec.org/who-is-nopec/annual-reports).

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
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***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2024, the City paid RITA \$276,667 for income tax collection services.

***Southwest Regional Communications***

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

All members agree to contribute the sums of money on a shared basis as agreed per the requirements set forth in the Articles of Understanding. In accordance with GASB Statement No. 14 and amended by GASB Statement No. 61, the City does not have an equity interest in the organization. In 2024, the City of North Royalton contributed \$40,582. Financial information may be obtained by contacting Martin S. Healy, 17401 Holland Road, Brook Park, Ohio 44142, or by email at [healymswcc@gmail.com](mailto: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, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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**Note 15 – Internal Activity**

***Interfund Transfers***

Transfers To	Transfers From		
	General	Other Governmental Funds	Total
<b>Major Funds:</b>			
Street Construction, Maintenance and Repair	\$250,000	\$0	\$250,000
EMS Levy	2,220,860	0	2,220,860
Other Governmental Funds	<u>3,385,757</u>	<u>593,007</u>	<u>3,978,764</u>
<b>Total</b>	<b><u>\$5,856,617</u></b>	<b><u>\$593,007</u></b>	<b><u>\$6,449,624</u></b>

The general fund transfers to the major and nonmajor funds were made to provide additional resources for current operations. The transfers from other governmental funds to the general obligation bond retirement fund were to pay the capital project fund portion of the principal and interest due on the bonds.

***Interfund Balances***

At December 31, 2024, the general fund has an interfund receivable of \$302,572 and \$386,136 from the FEMA special revenue fund and fire capital improvement fund, respectively. The advances are due to the timing of the receipt of grant monies. All interfund balances are typically repaid within one year or when the grant is completed.

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

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

Balances related to the internal proportionate share for pension at December 31, 2024, were as follows:

	Pension	
	Deferred Outflows	Deferred Inflows
Governmental Activities	\$1,006	\$0
<b>Business-Type Activities:</b>		
Sanitary Sewer	0	1,006
<b>Total</b>	<b><u>\$1,006</u></b>	<b><u>\$1,006</u></b>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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### **Note 16 – Lease Transaction**

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

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

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

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

### **Note 17 – Significant Commitments**

#### *Encumbrances*

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

Governmental	Business-Type
General	\$1,166,873
Street Construction, Maintenance and Repair	1,847,499
EMS Levy	22,010
Other Governmental Funds	2,532,237
<b>Total</b>	<b><u>\$5,568,619</u></b>

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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***Contractual Commitments***

As of December 31, 2024, the City had the following contractual commitments:

Project	Amount Remaining on Contract
<b>Governmental:</b>	
Baseball Field Fencing, Dugouts and Drainage Project	\$2,500
Senior Center Renovation Project	731,382
NEORSD Grant - Design and Engineering Services -	
Sprague Thornhurst Stream Restoration	54,530
City Hall Upgrades	20,000
Safety Town Foundation Costs	25,000
Jail Flooring	18,962
Sprague Road Widening Project	2,018,333
Culvert - Boston Road	44,250
FEMA Grant - Survey and Design - Soil Stabilization Project	20,709
Parks and Recreation Roof	20,000
City Green Sign Lighting	4,987
York Road Resurfacing Project	17,911
Total	<u><u>\$2,978,564</u></u>
<b>Business-Type:</b>	
B Plant Conversion and Abbey Road Sanitary Sewer Project	\$571,772
Cleaning of Aeration Tanks	168,590
Sanitary Engineering Services	25,754
Edgerton Road Sanitary Sewer	14,653
Hydraulic Model Development Engineering Services	48,611
Total	<u><u>\$829,380</u></u>

Remaining commitment amounts were encumbered at year end. The amounts of \$23,325, \$189,878 and \$28,619 in accounts, contracts and retainage payable for governmental activities, respectively, have been capitalized. The amount of \$107,996 in contracts payable for business-type activities has been capitalized.

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

***Changes in Accounting Principle***

For 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update — 2023*. The City also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update — 2021* and GASB Statement No. 101, *Compensated Absences*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The City reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The effects of implementing the GASB pronouncement is shown on the table on the following page.

***Restatement of Fund Balances and Net Position***

For the City, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absence related expense on beginning net position as shown on the following table.

	12/31/2023 As Previously Reported	Change in Accounting Principles		12/31/2023 As Restated/ Adjusted
		GASB 101		
<b>Government-Wide</b>				
Governmental Activities	\$63,613,511	(\$649,924)		\$62,963,587
Business-Type Activities	53,574,668	(87,165)		53,487,503
<b>Total Primary Government</b>	<b>\$117,188,179</b>	<b>(\$737,089)</b>		<b>\$116,451,090</b>
 <b>Governmental Funds</b>				
Major Funds:				
General	\$16,069,623		\$0	\$16,069,623
Street Construction, Maintenance and Repair	4,485,235		0	4,485,235
EMS Levy	621,265		0	621,265
All Other Governmental Funds	7,851,124		0	7,851,124
<b>Total Governmental Funds</b>	<b>\$29,027,247</b>		<b>\$0</b>	<b>\$29,027,247</b>
 <b>Proprietary Fund</b>				
Enterprise Fund:				
Sanitary Sewer	\$53,574,668		(\$87,165)	\$53,487,503
 <b>Fiduciary Fund</b>				
Custodial	\$312		\$0	\$312

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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### **Note 19 – Asset Retirement Obligations**

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

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

### **Note 20 – Tax Abatements**

As of December 31, 2024, the City of North Royalton provides tax incentive programs under The Community Reinvestment Area.

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

As a result of these tax incentive programs, a total of \$3,156 in property taxes were abated for calendar year 2024.

In 2024, the City of North Royalton was required to make payments to the North Royalton School District or Cuyahoga Valley Career Center due to CRA approved agreements that met the income tax threshold which would trigger the shared income tax payments. The City paid amounts of \$5,388 and \$273 to the North Royalton School District and the Cuyahoga Valley Career Center, respectively.

### **Note 21 – Accountability**

The FEMA grant special revenue fund had a deficit fund balance of \$244,192 as of December 31, 2024. This is the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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## **Note 22 Subsequent Events**

In December 2024, City Council approved the bid for DiGioia Suburban Excavating for the Abbey Road Gravity Sewer Project effective January 1, 2025. Ord #24-189 authorized the Application and Acceptance of a Water Pollution Control Loan Fund (WPCLF) for the Abbey Road Gravity Sewer Improvements Project. On January 30, 2025, the OWDA/Ohio EPA approved the loan for the Abbey Road Sanitary Improvement project for an amount of \$4,467,134. Part of the total loan cost included the pay-off of the Design Loan Payoff of OWDA Loan #9626 (WWTP B Pump Station Conversion). With the payoff, Loan #9626 with OWDA is no longer outstanding. As stated in the 2023 Audited Financial Statement, the City of North Royalton was awarded and accepted a grant from the U.S. Department of Housing and Urban Development (HUD) for the Abbey Road Sanitary Sewer Project for an amount of \$2,000,000. These monies will be reimbursed based on the construction costs for the Abbey Road Sanitary Sewer Project that began in 2025.

In 2025, City Council also approved, per Ordinance #25-18, the application and acceptance to enter into a Water Pollution Control Loan Fund (WPCLF) loan for the Construction of the Edgerton Road Sanitary Sewer Improvements Project with an estimated loan amount of \$1,221,600. The proposed project schedule, based on current bidding dates, has the loan documents to be finalized with OWDA/Ohio EPA by June 15, 2025, with an estimated approval by OWDA/Ohio EPA on July 1, 2025.

In 2025, City Council also approved, per Ordinance #24-190, the application and acceptance to enter into a Water Pollution Control Loan Fund (WPCLF) loan for the Facilities Evaluation and Planning Potential Capital Improvement at both North Royalton Wastewater Facilities for an estimated loan amount of \$519,598, per the authorized contract with AECOM Technical Services (authorized per Ordinance #25-22). The application was submitted to OWDA/Ohio EPA on March 27, 2025, with additional required documentation submitted to OWDA/Ohio EPA on April 28, 2025. The OWDA/Ohio EPA is in the final review process, with an estimated award date of June 1, 2025.

**City of North Royalton, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2024*

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## Required Supplementary Information

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

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0432910%	0.0452530%	0.0435850%	0.0428810%
City's Proportionate Share of the Net Pension Liability	\$11,333,760	\$13,367,754	\$3,792,071	\$6,349,743
City's Covered Payroll	\$7,125,693	\$7,014,707	\$6,324,207	\$6,040,850
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.05%	190.57%	59.96%	105.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.0434950%	0.0437350%	0.0445570%	0.0463530%	0.0460220%	0.0471750%
\$8,597,082	\$11,978,130	\$6,990,129	\$10,525,978	\$7,971,591	\$5,689,832
\$6,119,607	\$5,905,029	\$5,894,015	\$5,992,142	\$5,730,167	\$5,802,817
140.48%	202.85%	118.60%	175.66%	139.12%	98.05%
82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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

	2024	2023	2022	2021
City's Proportion of the Net Pension Asset	0.0911920%	0.0874640%	0.0851940%	0.0831290%
City's Proportionate Share of the Net Pension Asset	\$280,308	\$206,144	\$335,669	\$239,963
City's Covered Payroll	\$418,742	\$406,950	\$388,393	\$366,350
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-66.94%	-50.66%	-86.43%	-65.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.55%	137.14%	169.88%	157.67%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.0805780%	0.0780180%	0.0673160%	0.0632960%	0.0643200%	0.0580720%
\$168,025	\$87,242	\$91,639	\$35,229	\$31,300	\$22,360
\$358,700	\$333,679	\$275,692	\$246,383	\$234,083	\$213,883
-46.84%	-26.15%	-33.24%	-14.30%	-13.37%	-10.45%
145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

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

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability (Asset)	0.0441570%	0.0463810%	0.0439910%	0.0432300%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$398,529)	\$292,440	(\$1,377,865)	(\$770,177)
City's Covered Payroll	\$7,795,291	\$7,719,464	\$6,858,543	\$6,539,218
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-5.11%	3.79%	-20.09%	-11.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%

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

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017
0.0434730%	0.0436190%	0.0440400%	0.0454800%
\$6,004,751	\$5,686,888	\$4,782,420	\$4,593,634
\$6,567,750	\$6,324,504	\$6,238,423	\$6,285,571
91.43%	89.92%	76.66%	73.08%
47.80%	46.33%	54.14%	54.04%

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

	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.2542744%	0.2542281%	0.2544281%	0.2595903%
City's Proportionate Share of the Net Pension Liability	\$24,566,418	\$24,149,204	\$15,895,196	\$17,696,508
City's Covered Payroll	\$7,237,704	\$6,570,733	\$6,454,159	\$6,299,633
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	339.42%	367.53%	246.28%	280.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
0.2653806%	0.2720484%	0.2760900%	0.2779080%	0.3125050%	0.2666109%
\$17,877,455	\$22,206,345	\$16,944,890	\$17,602,414	\$20,103,666	\$13,811,557
\$6,274,405	\$6,138,010	\$6,000,091	\$5,797,228	\$5,480,085	\$5,740,045
284.93%	361.78%	282.41%	303.64%	366.85%	240.62%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

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

	2024	2023	2022	2021
City's Proportion of the Net OPEB Liability	0.2542744%	0.2542281%	0.2544281%	0.2595903%
City's Proportionate Share of the Net OPEB Liability	\$1,856,536	\$1,810,030	\$2,788,751	\$2,750,402
City's Covered Payroll	\$7,237,704	\$6,570,733	\$6,454,159	\$6,299,633
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	25.65%	27.55%	43.21%	43.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.86%	45.42%

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

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

See accompanying notes to the required supplementary information.

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2020	2019	2018	2017
0.2653806%	0.2720484%	0.2760900%	0.2779080%
\$2,621,358	\$2,477,419	\$15,642,908	\$13,191,763
\$6,274,405	\$6,138,010	\$6,000,091	\$5,797,228
41.78%	40.36%	260.71%	227.55%
47.08%	46.57%	14.13%	15.96%

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

	2024	2023	2022	2021
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$1,027,451	\$997,597	\$982,059	\$885,389
Contributions in Relation to the Contractually Required Contribution	<u>(1,027,451)</u>	<u>(997,597)</u>	<u>(982,059)</u>	<u>(885,389)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$7,338,936	\$7,125,693	\$7,014,707	\$6,324,207
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>				
Contractually Required Contribution	\$44,847	\$50,249	\$56,973	\$54,375
Contributions in Relation to the Contractually Required Contribution	<u>(44,847)</u>	<u>(50,249)</u>	<u>(56,973)</u>	<u>(54,375)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll	\$373,725	\$418,742	\$406,950	\$388,393
Pension Contributions as a Percentage of Covered Payroll	<u>12.00%</u>	<u>12.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$16,587	\$16,578	\$11,912	\$5,838
Contributions in Relation to the Contractually Required Contribution	<u>(16,587)</u>	<u>(16,578)</u>	<u>(11,912)</u>	<u>(5,838)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll (2)	\$7,991,315	\$7,795,291	\$7,719,464	\$6,858,543
OPEB Contributions as a Percentage of Covered Payroll	<u>0.21%</u>	<u>0.21%</u>	<u>0.15%</u>	<u>0.09%</u>

(1) Information prior to 2015 is not available for the OPEB plan.  
(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
\$845,719	\$856,745	\$826,704	\$766,222	\$719,057	\$687,620
<u>(845,719)</u>	<u>(856,745)</u>	<u>(826,704)</u>	<u>(766,222)</u>	<u>(719,057)</u>	<u>(687,620)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$6,040,850	\$6,119,607	\$5,905,029	\$5,894,015	\$5,992,142	\$5,730,167
<u><u>14.00%</u></u>	<u><u>14.00%</u></u>	<u><u>14.00%</u></u>	<u><u>13.00%</u></u>	<u><u>12.00%</u></u>	<u><u>12.00%</u></u>
\$51,289	\$50,218	\$46,715	\$35,840	\$29,566	\$28,090
<u>(51,289)</u>	<u>(50,218)</u>	<u>(46,715)</u>	<u>(35,840)</u>	<u>(29,566)</u>	<u>(28,090)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$366,350	\$358,700	\$333,679	\$275,692	\$246,383	\$234,083
<u><u>14.00%</u></u>	<u><u>14.00%</u></u>	<u><u>14.00%</u></u>	<u><u>13.00%</u></u>	<u><u>12.00%</u></u>	<u><u>12.00%</u></u>
\$5,281	\$3,578	\$3,432	\$64,587	\$126,652	\$119,239
<u>(5,281)</u>	<u>(3,578)</u>	<u>(3,432)</u>	<u>(64,587)</u>	<u>(126,652)</u>	<u>(119,239)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$6,539,218	\$6,567,750	\$6,324,504	\$6,238,423	\$6,285,571	\$5,986,769
<u><u>0.08%</u></u>	<u><u>0.05%</u></u>	<u><u>0.05%</u></u>	<u><u>1.04%</u></u>	<u><u>2.01%</u></u>	<u><u>1.99%</u></u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,674,610	\$1,542,155	\$1,399,969	\$1,373,214
Contributions in Relation to the Contractually Required Contribution	<u>(1,674,610)</u>	<u>(1,542,155)</u>	<u>(1,399,969)</u>	<u>(1,373,214)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered Payroll (1)	\$7,848,563	\$7,237,704	\$6,570,733	\$6,454,159
Pension Contributions as a Percentage of Covered Payroll	<u><u>21.34%</u></u>	<u><u>21.31%</u></u>	<u><u>21.31%</u></u>	<u><u>21.28%</u></u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$39,243	\$36,189	\$32,854	\$32,271
Contributions in Relation to the Contractually Required Contribution	<u>(39,243)</u>	<u>(36,189)</u>	<u>(32,854)</u>	<u>(32,271)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Covered Payroll	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>
Total Contributions as a Percentage of Covered Payroll	<u><u>21.84%</u></u>	<u><u>21.81%</u></u>	<u><u>21.81%</u></u>	<u><u>21.78%</u></u>

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

See accompanying notes to the required supplementary information.

2020	2019	2018	2017	2016	2015
\$1,338,821	\$1,333,419	\$1,303,626	\$1,277,218	\$1,235,191	\$1,163,154
<u>(1,338,821)</u>	<u>(1,333,419)</u>	<u>(1,303,626)</u>	<u>(1,277,218)</u>	<u>(1,235,191)</u>	<u>(1,163,154)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$6,299,633	\$6,274,405	\$6,138,010	\$6,000,091	\$5,797,228	\$5,480,085
<u><u>21.25%</u></u>	<u><u>21.25%</u></u>	<u><u>21.24%</u></u>	<u><u>21.29%</u></u>	<u><u>21.31%</u></u>	<u><u>21.23%</u></u>
\$31,499	\$31,372	\$30,690	\$30,000	\$29,165	\$29,188
<u>(31,499)</u>	<u>(31,372)</u>	<u>(30,690)</u>	<u>(30,000)</u>	<u>(29,165)</u>	<u>(29,188)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.50%</u></u>	<u><u>0.53%</u></u>
<u><u>21.75%</u></u>	<u><u>21.75%</u></u>	<u><u>21.74%</u></u>	<u><u>21.79%</u></u>	<u><u>21.81%</u></u>	<u><u>21.76%</u></u>

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2024*

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

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

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

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

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

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

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2024*

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mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

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

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

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

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

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

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2024*

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

For 2017 and prior the investment rate of return was 8.25 percent. Beginning in 2018, the OP&F Board adopted a change in the investment rate of return, changing it from 8.25 percent for 2017 and prior to 8 percent. Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

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

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

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

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

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

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

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

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2024*

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

**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
Beginning in 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
Beginning in 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2024	5.70 percent
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2024	5.50 percent, initial
	3.5 percent, ultimate in 2038
2023	5.5 percent, initial
	3.5 percent, ultimate in 2036
2022	5.5 percent, initial
	3.5 percent, ultimate in 2034
2021	8.5 percent, initial
	3.5 percent, ultimate in 2035
2020	10.5 percent, initial
	3.5 percent, ultimate in 2030
2019	10.0 percent, initial
	3.25 percent, ultimate in 2029
2018	7.5 percent, initial
	3.25 percent, ultimate in 2028

**City of North Royalton, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2024*

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

Blended Discount Rate:

2024	4.07 percent
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

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

**Changes in Benefit Terms – OPERS OPEB**

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

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

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

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

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

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Royalton, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2024, 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 25, 2025, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

**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.

City of North Royalton  
Cuyahoga County  
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  
Page 2

**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*

Zupka & Associates  
Certified Public Accountants

June 25, 2025

**CITY OF NORTH ROYALTON**  
**CUYAHOGA COUNTY, OHIO**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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The prior audit report, as of December 31, 2023, included no findings. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

# OHIO AUDITOR OF STATE KEITH FABER



CITY OF NORTH ROYALTON

CUYAHOGA COUNTY

## AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/13/2025

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)