



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF EAST PALESTINE
COLUMBIANA COUNTY
DECEMBER 31, 2021**

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VILLAGE OF EAST PALESTINE
COLUMBIANA COUNTY
DECEMBER 31, 2021

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of East Palestine
Columbiana County
85 North Market Street
East Palestine, Ohio 44413

To the Village Council

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, Ohio (the Village), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance and Repair Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village'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 Village'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 Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village'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 Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2022

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VILLAGE OF EAST PALESTINE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

Unaudited

The discussion and analysis of the Village of East Palestine's financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2021. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- ❑ In total, net position increased \$2,230,805. Net position of governmental activities increased \$1,411,050, or 20% from 2020. Net position of business-type activities increased \$819,755, or 13% from 2020.
- ❑ General revenues accounted for \$2,765,187 in revenue or 47% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,141,411, or 53% of total revenues of \$5,906,598.
- ❑ The Village had \$2,531,999 in expenses related to governmental activities; only \$1,152,862 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,765,187 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,980,742 in revenues and \$1,541,127 in expenditures. The general fund's fund balance increased \$346,547 to a balance of \$1,274,343.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Village:

These statements are as follows:

The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the Village's overall financial status.

The Fund Financial Statements – These statements focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

VILLAGE OF EAST PALESTINE, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2021*

Unaudited

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position is one way to measure the Village's financial health.

- Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as the Village's tax base and the condition of the Village's capital assets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental Activities* – Most of the Village's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *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. The Village's water and wastewater services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole.

Governmental Funds – Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

VILLAGE OF EAST PALESTINE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, both of which are considered major funds.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The following table provides a summary of the Village's net position for 2021 compared to 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$4,452,336	\$3,487,843	\$2,362,292	\$7,291,228	\$6,814,628	\$10,779,071
Net OPEB Asset	78,169	0	49,871	0	128,040	0
Capital Assets, Net	7,821,135	7,692,272	16,910,200	12,771,507	24,731,335	20,463,779
Total Assets	<u>12,351,640</u>	<u>11,180,115</u>	<u>19,322,363</u>	<u>20,062,735</u>	<u>31,674,003</u>	<u>31,242,850</u>
Deferred Outflows of Resources	398,948	492,378	87,063	162,490	486,011	654,868
Net Pension Liability	1,769,080	1,953,008	445,071	632,109	2,214,151	2,585,117
Net OPEB Liability	166,522	730,286	0	411,421	166,522	1,141,707
Other Long-term Liabilities	478,713	533,254	11,469,436	11,993,682	11,948,149	12,526,936
Other Liabilities	324,795	79,049	163,962	799,167	488,757	878,216
Total Liabilities	<u>2,739,110</u>	<u>3,295,597</u>	<u>12,078,469</u>	<u>13,836,379</u>	<u>14,817,579</u>	<u>17,131,976</u>
Deferred Inflows of Resources	1,437,552	1,214,020	361,989	239,633	1,799,541	1,453,653
Net Position						
Net Investment in Capital Assets	7,441,257	7,254,742	6,474,337	6,361,328	13,915,594	13,616,070
Restricted	1,347,064	1,252,004	0	0	1,347,064	1,252,004
Unrestricted (Deficit)	(214,395)	(1,343,870)	494,631	(212,115)	280,236	(1,555,985)
Total Net Position	<u>\$8,573,926</u>	<u>\$7,162,876</u>	<u>\$6,968,968</u>	<u>\$6,149,213</u>	<u>\$15,542,894</u>	<u>\$13,312,089</u>

The net pension liability (NPL) is reported by the Village pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the Village pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Village's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

VILLAGE OF EAST PALESTINE, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2021*

Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Village's proportionate share of each plan's collective:

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

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

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

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

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

VILLAGE OF EAST PALESTINE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

Unaudited

Changes in Net Position – The following table shows the changes in net position for 2021 compared to 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services and Sales	\$507,264	\$361,188	\$1,949,400	\$1,986,587	\$2,456,664	\$2,347,775
Operating Grants and Contributions	435,532	746,377	0	0	435,532	746,377
Capital Grants and Contributions	210,066	283,067	39,149	1,648,549	249,215	1,931,616
Total Program Revenues	1,152,862	1,390,632	1,988,549	3,635,136	3,141,411	5,025,768
General Revenues:						
Property Taxes	729,071	703,110	0	0	729,071	703,110
Income Taxes	1,747,893	1,394,777	0	0	1,747,893	1,394,777
Other Local Taxes	700	407	0	0	700	407
Intergovernmental Revenues, Unrestricted	193,195	184,229	0	0	193,195	184,229
Investment Earnings	2,659	12,041	0	0	2,659	12,041
Miscellaneous	91,669	258,671	0	0	91,669	258,671
Total General Revenues	2,765,187	2,553,235	0	0	2,765,187	2,553,235
Total Revenues	3,918,049	3,943,867	1,988,549	3,635,136	5,906,598	7,579,003
Program Expenses						
Security of Persons and Property	1,271,171	1,548,991	0	0	1,271,171	1,548,991
Leisure Time Activities	186,399	183,574	0	0	186,399	183,574
Community Environment	1,860	0	0	0	1,860	0
Public Health and Welfare	20,582	34,390	0	0	20,582	34,390
Transportation	563,678	664,081	0	0	563,678	664,081
General Government	471,862	586,008	0	0	471,862	586,008
Interest and Fiscal Charges	16,447	18,966	0	0	16,447	18,966
Water	0	0	449,438	636,839	449,438	636,839
Wastewater	0	0	694,356	1,008,208	694,356	1,008,208
Total Expenses	2,531,999	3,036,010	1,143,794	1,645,047	3,675,793	4,681,057
Change in Net Position Before Transfers	1,386,050	907,857	844,755	1,990,089	2,230,805	2,897,946
Transfers	25,000	35,000	(25,000)	(35,000)	0	0
Total Change in Net Position	1,411,050	942,857	819,755	1,955,089	2,230,805	2,897,946
Beginning Net Position	7,162,876	6,220,019	6,149,213	4,194,124	13,312,089	10,414,143
Ending Net Position	\$8,573,926	\$7,162,876	\$6,968,968	\$6,149,213	\$15,542,894	\$13,312,089

Governmental Activities

Governmental Activities net position increased \$1,411,050, or 20%. A decrease in charges for services revenue in the prior year due to closure of the Village swimming pool due to the Covid-19 pandemic resulted in a subsequent increase in charges for services in 2021. Also contributing to the increase in charges for services was an increase in ambulance transports. Coronavirus Relief funding received in the prior year resulted in a subsequent decrease in operating grants in the current year. An increase in income taxes can be attributed to a voter approved 0.5% increase in the Village income tax rate, which was effective January 1, 2020, as well as improving economic conditions. Refunds received from the Ohio Bureau of Workers' Compensation in the prior year resulted in a subsequent decrease in miscellaneous revenue in 2021.

VILLAGE OF EAST PALESTINE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

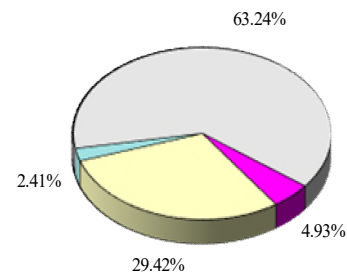
Unaudited

An overall decrease in expenses can be attributed to changes in the net pension and net OPEB liabilities. In addition, decreases in security of persons and property can also be attributed to Covid-19 expenses incurred in the prior year.

The Village receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the Village.

Income taxes and property taxes made up 45% and 19% respectively, of revenues for governmental activities in 2021. The Village's reliance upon tax revenues is demonstrated by the following graph indicating 63% of total revenues from general tax revenues:

Revenue Sources	2021	Percent of Total
General Tax Revenues	\$2,477,664	63.24%
Intergovernmental Revenues, Unrestricted	193,195	4.93%
Program Revenues	1,152,862	29.42%
General Other	94,328	2.41%
Total Revenue	<u>\$3,918,049</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased \$819,755. This was a 13% increase from the previous year. This increase can be attributed to a decrease in the net pension and net OPEB liabilities.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village's governmental funds reported a combined fund balance of \$2,603,456, which is an increase from last year's balance of \$1,989,224. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2021 and 2020:

	Fund Balance December 31, 2021	Fund Balance December 31, 2020	Increase (Decrease)
General	\$1,274,343	\$927,796	\$346,547
Street Construction, Maintenance, and Repair	204,729	243,662	(38,933)
Street Levy Capital Replacement	55,167	138,292	(83,125)
Other Governmental	1,069,217	679,474	389,743
Total	<u>\$2,603,456</u>	<u>\$1,989,224</u>	<u>\$614,232</u>

VILLAGE OF EAST PALESTINE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

General Fund – The Village's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2021 Revenues	2020 Revenues	Increase (Decrease)
Taxes	\$1,407,598	\$1,237,375	\$170,223
Intergovernmental Revenues	166,914	320,123	(153,209)
Charges for Services	251,550	199,519	52,031
Licenses and Permits	74,225	78,942	(4,717)
Investment Earnings	2,574	11,172	(8,598)
Fines and Forfeitures	11,060	4,153	6,907
All Other Revenue	66,821	194,178	(127,357)
Total	\$1,980,742	\$2,045,462	(\$64,720)

General Fund revenues decreased \$64,720, or approximately 3% from the prior year. An increase in income taxes can be attributed to improving economic conditions. A Safe Route to School Grant received in the prior year resulted in a subsequent decrease in intergovernmental revenues in the current year. Refunds received from the Ohio Bureau of Workers' Compensation in the prior year resulted in a subsequent decrease in all other revenue in 2021.

	2021 Expenditures	2020 Expenditures	Increase (Decrease)
Current:			
Security of Persons and Property	\$986,228	\$1,074,409	(\$88,181)
General Government	543,294	671,409	(128,115)
Debt Service:			
Principal Retirement	6,000	15,969	(9,969)
Interest and Fiscal Charges	5,605	6,235	(630)
Total	\$1,541,127	\$1,768,022	(\$226,895)

General Fund expenditures decreased \$226,895, or 13%. A Safe Route to School grant project in the prior year resulted in a subsequent decrease in general government in 2021. A decrease in security of persons and property was the result of some public safety costs being shifted to other funds.

Street Construction, Maintenance, and Repair Fund – The Street Construction, Maintenance, and Repair Fund balance decreased \$38,933, or 16%. An increase in revenues and expenditures can be attributed to Ohio Department of Transportation grants received for traffic control improvements on Rebecca Street.

Street Levy Capital Replacement Fund – The Street Levy Capital Replacement Fund balance decreased \$83,125, or 60%. Revenues were consistent with the prior year. An increase in expenditures can be attributed to the Park Drive bridge replacement project.

VILLAGE OF EAST PALESTINE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

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

During the course of 2021 the Village amended its General Fund budget several times.

For the General Fund, final estimated and actual revenues were approximately 30% higher than original estimated revenues, due mostly to an increase in tax revenues. Original budgeted, final budgeted, and actual budget basis expenditures were not materially different. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 the Village had \$24,731,335 net of accumulated depreciation invested in land, construction in progress, buildings, improvements, machinery, equipment, and infrastructure. Of this total, \$7,821,135 was related to governmental activities and \$16,910,200 to the business-type activities. The following tables show fiscal year 2021 and 2020 balances:

	Governmental Activities		Increase (Decrease)
	2021	2020	
Land	\$295,074	\$295,074	\$0
Construction In Progress	196,444	283,067	(86,623)
Buildings	839,024	839,024	0
Improvements Other than Buildings	321,241	321,241	0
Machinery and Equipment	4,105,490	4,039,383	66,107
Infrastructure	8,304,949	7,664,736	640,213
Less: Accumulated Depreciation	(6,241,087)	(5,750,253)	(490,834)
Totals	<u>\$7,821,135</u>	<u>\$7,692,272</u>	<u>\$128,863</u>

Governmental activities capital asset additions to machinery and equipment included an excavator, lawn mowers, and pool equipment. Infrastructure additions included routine street repaving, traffic light installation at Rebecca and Market Streets, as well as a Safe Route to School project, which included two crossing signs on North Market Street and new sidewalks.

VILLAGE OF EAST PALESTINE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

	Business-Type Activities		<i>Unaudited</i> Increase (Decrease)
	2021	2020	
Land	\$186,511	\$186,511	\$0
Construction in Progress	7,633,886	4,928,453	2,705,433
Buildings	2,964,638	2,079,874	884,764
Improvements Other than Buildings	1,777,684	1,581,627	196,057
Machinery and Equipment	1,926,674	1,557,339	369,335
Infrastructure	11,814,059	11,506,564	307,495
Less: Accumulated Depreciation	(9,393,252)	(9,068,861)	(324,391)
Totals	\$16,910,200	\$12,771,507	\$4,138,693

Business-Type capital asset additions included a water treatment plant pump house project, mower, and vacuum truck. Construction in progress consisted of a wastewater treatment plant improvement project. Additional information on the Village's capital assets can be found in Note 7.

Debt and Other Long-Term Obligations

The following table summarizes the Village's debt and other long-term obligations outstanding as of December 31, 2021 and 2020:

	2021	2020
Governmental Activities:		
Ohio Public Works Commission Loan	\$64,000	\$72,000
General Obligation Bonds	280,000	295,000
Capital Leases	35,878	70,530
Compensated Absences	98,835	95,724
Total Governmental Activities	478,713	533,254
Business-Type Activities:		
Revenue Bonds	8,121,000	8,276,000
Ohio Public Works Commission Loans	488,266	539,394
Ohio Water Development Authority Loans	2,632,727	2,803,371
Capital Leases	147,030	289,931
Compensated Absences	80,413	84,986
Total Business-Type Activities	11,469,436	11,993,682
Totals	\$11,948,149	\$12,526,936

Under current state statutes, the Village's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2021, the Village's outstanding debt was below the legal limit. Additional information on the Village's long-term debt can be found in Note 10.

VILLAGE OF EAST PALESTINE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

ECONOMIC FACTORS

At one time, the Village of East Palestine was known for its pottery production with the potteries being the largest employers in the Village. Currently the Village has only one pottery left. The Village has five industrial plants with the remaining businesses being mainly sole-proprietor businesses. We have had two new companies renovate buildings and create new jobs in East Palestine.

The residents of East Palestine passed a 5 mill street levy in 2010; with collections starting in 2011, estimated collection is \$296,100. In 2021 we repaved various streets in the Village. We are continuing to look at future paving projects in 2022 using the Street Levy monies. The Street Levy was renewed for 5 more years in 2019. Other levies that the Village has is a 1.5 mill Fire Levy, renewed in 2018 for 5 years, 2 mill Police Levy, renewed in 2021 for 5 years, 1 mill and 2 mill levy, renewed in 2017 for 5 years.

In 2020 we started the waste water improvements for the EQ Basins. This project is still on going.

On May 7, 2019 residents voted to increase the income tax rate from 1% to 1 ½%, effective January 1, 2020. We started collection of the tax increase in 2020 with ½% increase 40% is going to Police Fund and 40% is going to the Fire Fund and 20% is going to General Fund.

We are still experiencing the impact from COVID 19, resulting in the cost of supplies increasing. The 2022 Budget is conservative.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Traci Spratt, Finance Director of the Village of East Palestine.

VILLAGE OF EAST PALESTINE, OHIO

Statement of Net Position *December 31, 2021*

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,437,392	\$ 1,151,884	\$ 3,589,276
Cash and Cash Equivalents with Fiscal Agent	0	806,130	806,130
Investments	35,195	0	35,195
Receivables:			
Taxes	1,529,310	0	1,529,310
Accounts	104,605	272,034	376,639
Intergovernmental	309,987	39,149	349,136
Interest	9	0	9
Inventory of Supplies at Cost	3,955	79,513	83,468
Prepaid Items	31,883	13,582	45,465
Net OPEB Asset	78,169	49,871	128,040
Non-Depreciable Capital Assets	491,518	7,820,397	8,311,915
Depreciable Capital Assets, Net	7,329,617	9,089,803	16,419,420
Total Assets	12,351,640	19,322,363	31,674,003
Deferred Outflows of Resources:			
Pension	266,136	62,548	328,684
OPEB	132,812	24,515	157,327
Total Deferred Outflows of Resources	398,948	87,063	486,011
Liabilities:			
Accounts Payable	49,670	82,453	132,123
Accrued Wages and Benefits	41,810	15,539	57,349
Intergovernmental Payable	498	2,600	3,098
Unearned Revenue	231,709	0	231,709
Accrued Interest Payable	1,108	63,370	64,478
Noncurrent Liabilities:			
Due Within One Year	99,343	540,512	639,855
Due in More Than One Year:			
Net Pension Liability	1,769,080	445,071	2,214,151
Net OPEB Liability	166,522	0	166,522
Other Amounts Due in More Than One Year	379,370	10,928,924	11,308,294
Total Liabilities	2,739,110	12,078,469	14,817,579
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	699,140	0	699,140
Pension	420,223	202,988	623,211
OPEB	318,189	159,001	477,190
Total Deferred Inflows of Resources	1,437,552	361,989	1,799,541
Net Position:			
Net Investment in Capital Assets	7,441,257	6,474,337	13,915,594
Restricted For:			
Capital Projects	305,798	0	305,798
Other Purposes	1,041,266	0	1,041,266
Unrestricted (Deficit)	(214,395)	494,631	280,236
Total Net Position	\$ 8,573,926	\$ 6,968,968	\$ 15,542,894

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Statement of Activities
For the Year Ended December 31, 2021

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 1,271,171	\$ 298,241	\$ 25,918	\$ 0
Leisure Time Activities	186,399	100,550	0	9,600
Community Environment	1,860	0	0	0
Public Health and Welfare	20,582	34,248	0	0
Transportation	563,678	0	409,614	200,466
General Government	471,862	74,225	0	0
Interest and Fiscal Charges	16,447	0	0	0
Total Governmental Activities	2,531,999	507,264	435,532	210,066
Business-Type Activities:				
Water	449,438	718,912	0	0
Wastewater	694,356	1,230,488	0	39,149
Total Business-Type Activities	1,143,794	1,949,400	0	39,149
Totals	\$ 3,675,793	\$ 2,456,664	\$ 435,532	\$ 249,215

General Revenues and Transfers

Property Taxes Levied for:

 General Purposes

 Special Purposes

Income Tax

Other Local Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (947,012)	\$ 0	\$ (947,012)
(76,249)	0	(76,249)
(1,860)	0	(1,860)
13,666	0	13,666
46,402	0	46,402
(397,637)	0	(397,637)
(16,447)	0	(16,447)
<u>(1,379,137)</u>	<u>0</u>	<u>(1,379,137)</u>
0	269,474	269,474
0	575,281	575,281
<u>0</u>	<u>844,755</u>	<u>844,755</u>
<u>\$ (1,379,137)</u>	<u>\$ 844,755</u>	<u>\$ (534,382)</u>
126,130	0	126,130
602,941	0	602,941
1,747,893	0	1,747,893
700	0	700
193,195	0	193,195
2,659	0	2,659
91,669	0	91,669
25,000	(25,000)	0
<u>2,790,187</u>	<u>(25,000)</u>	<u>2,765,187</u>
1,411,050	819,755	2,230,805
7,162,876	6,149,213	13,312,089
<u>\$ 8,573,926</u>	<u>\$ 6,968,968</u>	<u>\$ 15,542,894</u>

VILLAGE OF EAST PALESTINE, OHIO

Balance Sheet
Governmental Funds
December 31, 2021

	General	Street Construction, Maintenance, and Repair	Street Levy Capital Replacement
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and Cash Equivalents	\$ 1,012,888	\$ 149,886	\$ 66,063
Investments	0	0	0
Receivables:			
Taxes	707,296	0	293,814
Accounts	100,531	0	0
Intergovernmental	65,425	181,479	21,664
Interest	0	0	0
Inventory of Supplies	0	3,955	0
Prepaid Items	31,055	0	0
Total Assets	<u><u>\$ 1,917,195</u></u>	<u><u>\$ 335,320</u></u>	<u><u>\$ 381,541</u></u>
Liabilities:			
Accounts Payable	\$ 30,262	\$ 3,854	\$ 10,896
Accrued Wages and Benefits Payable	27,355	5,751	0
Intergovernmental Payable	498	0	0
Unearned Revenue	0	0	0
Total Liabilities	<u><u>58,115</u></u>	<u><u>9,605</u></u>	<u><u>10,896</u></u>
Deferred Inflows of Resources:			
Unavailable Amounts	463,140	120,986	50,405
Property Tax Levy for Next Fiscal Year	121,597	0	265,073
Total Deferred Inflows of Resources	<u><u>584,737</u></u>	<u><u>120,986</u></u>	<u><u>315,478</u></u>
Fund Balance:			
Nonspendable	31,055	3,955	0
Restricted	0	200,774	55,167
Committed	60,000	0	0
Assigned	267,179	0	0
Unassigned	916,109	0	0
Total Fund Balance	<u><u>1,274,343</u></u>	<u><u>204,729</u></u>	<u><u>55,167</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,917,195</u></u>	<u><u>\$ 335,320</u></u>	<u><u>\$ 381,541</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,208,555	\$ 2,437,392
35,195	35,195
528,200	1,529,310
4,074	104,605
41,419	309,987
9	9
0	3,955
828	31,883
<u>\$ 1,818,280</u>	<u>\$ 4,452,336</u>
\$ 4,658	\$ 49,670
8,704	41,810
0	498
231,709	231,709
<u>245,071</u>	<u>323,687</u>
191,522	826,053
312,470	699,140
<u>503,992</u>	<u>1,525,193</u>
828	35,838
730,648	986,589
337,741	397,741
0	267,179
0	916,109
<u>1,069,217</u>	<u>2,603,456</u>
<u>\$ 1,818,280</u>	<u>\$ 4,452,336</u>

VILLAGE OF EAST PALESTINE, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2021***

Total Governmental Fund Balances \$ 2,603,456

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 7,821,135

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 826,053

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

Deferred Outflows - Pension	266,136	
Deferred Inflows - Pension	(420,223)	
Net Pension Liability	(1,769,080)	
Deferred Outflows - OPEB	132,812	
Deferred Inflows - OPEB	(318,189)	
Net OPEB Asset	78,169	
Net OPEB Liability	(166,522)	(2,196,897)

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

Compensated Absences Payable	(98,835)	
Ohio Public Works Commission Loans Payable	(64,000)	
Capital Leases Payable	(35,878)	
General Obligation Bonds Payable	(280,000)	
Accrued Interest Payable	(1,108)	(479,821)

Net Position of Governmental Activities **\$ 8,573,926**

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

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VILLAGE OF EAST PALESTINE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021**

	General	Street Construction, Maintenance, and Repair	Street Levy Capital Replacement
Revenues:			
Taxes	\$ 1,407,598	\$ 0	\$ 269,591
Intergovernmental Revenues	166,914	532,842	42,368
Charges for Services	251,550	0	0
Licenses and Permits	74,225	0	0
Investment Earnings	2,574	0	0
Fines and Forfeitures	11,060	0	0
All Other Revenue	66,821	3,482	1,016
Total Revenue	1,980,742	536,324	312,975
Expenditures:			
Current:			
Security of Persons and Property	986,228	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	548,563	0
General Government	543,294	0	0
Capital Outlay	0	0	396,100
Debt Service:			
Principal Retirement	6,000	22,524	0
Interest & Fiscal Charges	5,605	1,621	0
Total Expenditures	1,541,127	572,708	396,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	439,615	(36,384)	(83,125)
Other Financing Sources (Uses):			
Transfers In	25,000	0	0
Transfers Out	(118,068)	0	0
Total Other Financing Sources (Uses)	(93,068)	0	0
Net Change in Fund Balance	346,547	(36,384)	(83,125)
Fund Balance at Beginning of Year	927,796	243,662	138,292
Decrease in Inventory	0	(2,549)	0
Fund Balance End of Year	\$ 1,274,343	\$ 204,729	\$ 55,167

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 733,092	\$ 2,410,281
80,525	822,649
157,298	408,848
0	74,225
85	2,659
622	11,682
29,950	101,269
1,001,572	3,831,613
371,153	1,357,381
242,559	242,559
1,860	1,860
29,511	29,511
14,816	563,379
0	543,294
31,589	427,689
29,128	57,652
9,281	16,507
729,897	3,239,832
271,675	591,781
118,068	143,068
0	(118,068)
118,068	25,000
389,743	616,781
679,474	1,989,224
0	(2,549)
\$ 1,069,217	\$ 2,603,456

VILLAGE OF EAST PALESTINE, 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, 2021***

Net Change in Fund Balances - Total Governmental Funds \$ 616,781

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 capital outlay exceeded depreciation in the current period.

Capital Outlay	655,986	
Depreciation Expense	(523,494)	132,492

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. (3,629)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 86,436

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

Pension	190,917	
OPEB	2,386	193,303

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

Pension	(110,503)	
OPEB	444,118	333,615

The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Ohio Public Works Commission Loan Retirement	8,000	
General Obligation Bond Retirement	15,000	
Capital Lease Retirement	34,652	57,652

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 60

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

Compensated Absences	(3,111)	
Change in Inventory	(2,549)	(5,660)

Change in Net Position of Governmental Activities **\$ 1,411,050**

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,088,524	\$ 1,403,115	\$ 1,413,486	\$ 10,371
Intergovernmental Revenues	121,144	156,155	152,701	(3,454)
Charges for Services	207,730	267,766	258,503	(9,263)
Licenses and Permits	94,234	121,468	126,366	4,898
Investment Earnings	9,309	12,000	2,574	(9,426)
Fines and Forfeitures	6,206	8,000	7,016	(984)
All Other Revenues	50,740	65,403	53,085	(12,318)
Total Revenues	<u>1,577,887</u>	<u>2,033,907</u>	<u>2,013,731</u>	<u>(20,176)</u>
Expenditures:				
Current:				
Security of Persons and Property	1,085,643	1,092,409	986,735	105,674
General Government	615,151	553,280	537,103	16,177
Debt Service:				
Principal Retirement	6,000	6,000	6,000	0
Interest and Fiscal Charges	6,175	6,175	5,605	570
Total Expenditures	<u>1,712,969</u>	<u>1,657,864</u>	<u>1,535,443</u>	<u>122,421</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,082)	376,043	478,288	102,245
Other Financing Sources (Uses):				
Transfers Out	0	(133,068)	(133,068)	0
Total Other Financing Sources (Uses):	<u>0</u>	<u>(133,068)</u>	<u>(133,068)</u>	<u>0</u>
Net Change in Fund Balance	(135,082)	242,975	345,220	102,245
Fund Balance at Beginning of Year	320,418	320,418	320,418	0
Prior Year Encumbrances	7,246	7,246	7,246	0
Fund Balance at End of Year	<u>\$ 192,582</u>	<u>\$ 570,639</u>	<u>\$ 672,884</u>	<u>\$ 102,245</u>

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

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VILLAGE OF EAST PALESTINE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 356,906	\$ 377,799	\$ 373,750	\$ (4,049)
All Other Revenues	0	6,306	5,356	(950)
Total Revenues	356,906	384,105	379,106	(4,999)
Expenditures:				
Current:				
Transportation	377,601	431,398	421,647	9,751
Total Expenditures	377,601	431,398	421,647	9,751
Net Change in Fund Balance	(20,695)	(47,293)	(42,541)	4,752
Fund Balance at Beginning of Year	180,758	180,758	180,758	0
Prior Year Encumbrances	8,894	8,894	8,894	0
Fund Balance at End of Year	\$ 168,957	\$ 142,359	\$ 147,111	\$ 4,752

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2021**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 285,228	\$ 866,656	\$ 1,151,884
Cash and Cash Equivalents with Fiscal Agent	0	806,130	806,130
Receivables:			
Accounts	94,768	177,266	272,034
Intergovernmental	0	39,149	39,149
Inventory of Supplies at Cost	60,915	18,598	79,513
Prepaid Items	6,118	7,464	13,582
Total Current Assets	447,029	1,915,263	2,362,292
Noncurrent Assets:			
Net OPEB Asset	24,423	25,448	49,871
Capital Assets, Net	3,838,628	13,071,572	16,910,200
Total Noncurrent Assets	3,863,051	13,097,020	16,960,071
Total Assets	4,310,080	15,012,283	19,322,363
Deferred Outflows of Resources:			
Pension	30,630	31,918	62,548
OPEB	12,005	12,510	24,515
Total Deferred Outflows of Resources	42,635	44,428	87,063
Liabilities:			
Current Liabilities:			
Accounts Payable	25,863	56,590	82,453
Accrued Wages and Benefits	7,259	8,280	15,539
Intergovernmental Payable	0	2,600	2,600
Compensated Absences Payable - Current	7,731	9,510	17,241
Accrued Interest Payable	9,571	53,799	63,370
Capital Leases Payable - Current	44,109	102,921	147,030
Revenue Bond Payable - Current	0	160,000	160,000
OWDA Loans Payable - Current	34,479	130,634	165,113
OPWC Loans Payable - Current	15,934	35,194	51,128
Total Current Liabilities	144,946	559,528	704,474
Noncurrent Liabilities:			
Revenue Bonds Payable	0	7,961,000	7,961,000
OWDA Loans Payable	2,021,096	446,518	2,467,614
OPWC Loans Payable	202,656	234,482	437,138
Compensated Absences Payable	27,518	35,654	63,172
Net Pension Liability	217,953	227,118	445,071
Total Noncurrent Liabilities	2,469,223	8,904,772	11,373,995
Total Liabilities	2,614,169	9,464,300	12,078,469

VILLAGE OF EAST PALESTINE, OHIO

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Deferred Inflows of Resources:			
Pension	99,087	103,901	202,988
OPEB	77,670	81,331	159,001
Total Deferred Inflows of Resources	176,757	185,232	361,989
Net Position:			
Net Investment in Capital Assets	1,564,463	4,909,874	6,474,337
Unrestricted	(2,674)	497,305	494,631
Total Net Position	\$ 1,561,789	\$ 5,407,179	\$ 6,968,968

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

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VILLAGE OF EAST PALESTINE, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Operating Revenues:			
Charges for Services	\$ 681,392	\$ 1,227,022	\$ 1,908,414
Total Operating Revenues	<u>681,392</u>	<u>1,227,022</u>	<u>1,908,414</u>
Operating Expenses:			
Personal Services	133,951	94,940	228,891
Contractual Services	137,079	199,339	336,418
Materials and Supplies	42,875	56,460	99,335
Depreciation	91,288	260,512	351,800
Total Operating Expenses	<u>405,193</u>	<u>611,251</u>	<u>1,016,444</u>
Operating Income	276,199	615,771	891,970
Non-Operating Revenues (Expenses):			
Interest and Fiscal Charges	(44,245)	(83,105)	(127,350)
Other Nonoperating Revenue	37,520	3,466	40,986
Total Non-Operating Revenues (Expenses)	<u>(6,725)</u>	<u>(79,639)</u>	<u>(86,364)</u>
Income Before Transfers and Contributions	269,474	536,132	805,606
Transfers and Contributions:			
Transfers Out	(10,000)	(15,000)	(25,000)
Capital Contributions	0	39,149	39,149
Total Transfers and Contributions	<u>(10,000)</u>	<u>24,149</u>	<u>14,149</u>
Change in Net Position	259,474	560,281	819,755
Net Position Beginning of Year	1,302,315	4,846,898	6,149,213
Net Position End of Year	<u>\$ 1,561,789</u>	<u>\$ 5,407,179</u>	<u>\$ 6,968,968</u>

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$723,257	\$1,236,305	\$1,959,562
Cash Payments for Goods and Services	(192,843)	(241,275)	(434,118)
Cash Payments to Employees	(313,105)	(358,048)	(671,153)
Net Cash Provided by Operating Activities	217,309	636,982	854,291
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers Out to Other Funds	(10,000)	(15,000)	(25,000)
Net Cash Used by Noncapital Financing Activities	(10,000)	(15,000)	(25,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(61,267)	(5,121,785)	(5,183,052)
Capital Contributions	0	728,551	728,551
Capital Lease Principal Payment	(42,870)	(100,031)	(142,901)
Principal Paid on Ohio Water Development Authority Loans	(94,125)	(129,287)	(223,412)
Proceeds from Ohio Water Development Authority Loans	52,768	0	52,768
General Obligation Bond Principal Payment	0	(155,000)	(155,000)
Principal Paid on Ohio Public Works Commission Loans	(15,934)	(35,194)	(51,128)
Interest Paid on All Debt	(44,731)	(52,125)	(96,856)
Net Cash Used by Capital and Related Financing Activities	(206,159)	(4,864,871)	(5,071,030)
Increase (Decrease) in Cash and Cash Equivalents	1,150	(4,242,889)	(4,241,739)
Cash and Cash Equivalents at Beginning of Year	284,078	5,915,675	6,199,753
Cash and Cash Equivalents at End of Year	\$285,228	\$1,672,786	\$1,958,014
<u>Reconciliation of Cash and</u>			
<u> Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$285,228	\$866,656	\$1,151,884
Cash and Cash Equivalents with Fiscal Agent	0	806,130	806,130
Cash and Cash Equivalents at End of Year	\$285,228	\$1,672,786	\$1,958,014

(Continued)

VILLAGE OF EAST PALESTINE, OHIO

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$276,199	\$615,771	\$891,970
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	91,288	260,512	351,800
Miscellaneous Nonoperating Revenue	40,097	7,214	47,311
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	1,768	2,069	3,837
(Increase) Decrease in Inventory	(12,417)	213	(12,204)
Increase in Prepaid Items	(134)	(29)	(163)
Increase in Net OPEB Asset	(24,423)	(25,448)	(49,871)
Decrease in Deferred Outflows	32,206	43,221	75,427
Increase in Accounts Payable	7,744	16,670	24,414
Increase in Accrued Wages and Benefits	1,734	712	2,446
Decrease in Compensated Absences	(443)	(4,130)	(4,573)
Decrease in Net Pension Liability	(73,188)	(113,850)	(187,038)
Decrease in Net OPEB Liability	(189,494)	(221,927)	(411,421)
Increase in Deferred Inflows	66,372	55,984	122,356
Total Adjustments	<u>(58,890)</u>	<u>21,211</u>	<u>(37,679)</u>
Net Cash Provided by Operating Activities	<u>\$217,309</u>	<u>\$636,982</u>	<u>\$854,291</u>

See accompanying notes to the basic financial statements

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of East Palestine, Ohio (the "Village") is a home rule municipal corporation created under the laws of the State of Ohio. East Palestine was first incorporated as a village on February 27, 1876. The Village currently operates under and is governed by its own Charter. The current Charter, which provides for a Council-Village Manager form of government, was adopted in 1990.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the Village (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the Village's ability to impose its will over the organization, or the possibility that the organization will provide a financial benefit to or impose a financial burden on the Village. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the Village's reporting entity. Based on the foregoing, the reporting entity of the Village includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the Village owns and operates a water treatment and distribution system and a wastewater treatment and collection system, which are reported as enterprise funds.

The accounting policies and financial reporting practices of the Village conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the Village:

Governmental Funds - The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the Village's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the Village's major governmental funds:

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

General Fund - This fund is used to account for all financial resources except those resources accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio and the provisions of the Village Charter.

Street Construction, Maintenance, and Repair Fund – This fund is used to account for revenues distributed by the State from the motor vehicle registration and gasoline tax. Expenditures may only be used for Village street construction, maintenance and repair.

Street Levy Capital Replacement Fund – This fund is used to account for property taxes levied for street improvements.

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the proprietary funds are included on the statement of net position. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Village's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the Village's water service.

Wastewater Fund – This fund is used to account for the operation of the Village's sanitary sewer service.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Village 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 Village that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 statements for governmental funds.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements – Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Village finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Village is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 Village must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis.

Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2021 but which are not intended to finance 2021 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the government-wide statements and proprietary funds. Revenues are recognized when earned and expenses are recognized when they are incurred.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the Village Council.

1. Tax Budget

By July 15, the Village Manager submits an annual tax budget for the following fiscal year to Village Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the Village by September 1 of each year. As part of the certification process, the Village receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2021.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Village Council. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - for the General Fund and Major Special Revenue Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

The Village's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Street Construction Maintenance and Repair Fund
GAAP Basis (as reported)	\$346,547	(\$36,384)
Increase (Decrease):		
Accrued Revenues at December 31, 2021 received during 2022	(288,515)	(60,493)
Accrued Revenues at December 31, 2020 received during 2021	326,657	60,653
Accrued Expenditures at December 31, 2021 paid during 2022	58,115	9,605
Accrued Expenditures at December 31, 2020 paid during 2021	(45,495)	(13,147)
2020 Prepays for 2021	25,055	0
2021 Prepays for 2022	(31,055)	0
Outstanding Encumbrances	(15,530)	(2,775)
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(30,559)	0
Budget Basis	\$345,220	(\$42,541)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasurer's Asset Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because of its highly liquid nature.

The Village pools a majority of its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled repurchase agreements and certificates of deposit are considered to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The Village allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the Village records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. At December 31, 2021 the Village reported \$35,195 of investments, which are certificates of deposit with original maturities of greater than three months.

The Village 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 Village's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Village. The Village 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 a NAV per share that approximates fair value. For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Prepaid Items

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

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30 - 40
Improvements other than Buildings	50
Machinery and Equipment	5 - 15
Infrastructure	50 - 100

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Ohio Water Development Authority Loans	Water Fund, Wastewater Fund
General Obligation/Revenue Bonds	General Fund, Capital Improvement Fund, Wastewater Fund
Ohio Public Works Commission Loans	Capital Improvement Fund, Water Fund, Wastewater Fund
Compensated Absences	General Fund, Parks and Recreation Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund
Capital Leases	Water Fund, Wastewater Fund, Street Levy Capital Replacement Fund, Fire Capital Replacement Fund, General Fund, Capital Improvement Fund, Street Construction, Maintenance and Repair Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the Government-wide Statements under Long-term Liabilities.

Compensated absences are expensed in the Water and Wastewater Funds when earned, and the related liability is reported within the fund.

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Village applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

O. Interfund Activity

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 in the financial statements.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Village to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority. For the Village, these constraints consist of ordinances passed by Village Council. Committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Village, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. The Village had no extraordinary or special items to report during fiscal year 2021.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the Village, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Street Construction Maintenance and Repair Fund	Street Levy Capital Replacement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$31,055	\$0	\$0	\$828	\$31,883
Supplies Inventory	0	3,955	0	0	3,955
Total Nonspendable	31,055	3,955	0	828	35,838
Restricted:					
Fire Capital Improvements	0	0	0	124,513	124,513
Police Capital Improvements	0	0	0	44,406	44,406
Police Department Operations	0	0	0	40,817	40,817
Fire Department Operations	0	0	0	167,732	167,732
Street Capital Improvements	0	0	55,167	0	55,167
Park Capital Improvements	0	0	0	13,936	13,936
Community Development and Improvement	0	0	0	180,594	180,594
Street Maintenance and Repair	0	200,774	0	29,113	229,887
EMS Training	0	0	0	1,840	1,840
Parks and Recreation	0	0	0	47,963	47,963
Cemetery Maintenance	0	0	0	43,451	43,451
Law Enforcement	0	0	0	36,273	36,273
Other Purposes	0	0	0	10	10
Total Restricted	0	200,774	55,167	730,648	986,589
Committed:					
Community Development and Improvement	60,000	0	0	0	60,000
Police Department Operations	0	0	0	133,886	133,886
Fire Department Operations	0	0	0	133,886	133,886
Capital Improvements	0	0	0	69,969	69,969
Total Committed	60,000	0	0	337,741	397,741
Assigned:					
Services and Supplies	10,136	0	0	0	10,136
Compensated Absences	102,685	0	0	0	102,685
Budget Resource	154,358	0	0	0	154,358
Total Assigned	267,179	0	0	0	267,179
Unassigned (Deficits):					
	916,109	0	0	0	916,109
Total Fund Balances	\$1,274,343	\$204,729	\$55,167	\$1,069,217	\$2,603,456

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the Village into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Village. Such funds must be maintained either as cash in the Village Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the Village 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.

At December 31, 2021, the carrying amount of the Village's deposits was \$3,548,307 and the bank balance was \$3,630,894. Of the bank balance, \$1,397,908 was covered by federal depository insurance and \$2,232,986 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

In addition, the Village's cash balance included \$806,130 held by fiscal agent. This cash is the unspent sewer system improvement revenue bond proceeds. This project is being facilitated by the United States Department of Agriculture, and the cash is being held in the United States Treasury.

Investment earnings of \$2,046 earned by other funds were credited to the General Fund as required by state statute.

B. Investments

The Village's investments at December 31, 2021 are summarized below:

	Fair Value ²	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$76,164	AAAm ¹	\$76,164	\$0	\$0
Total Investments	<u>\$76,164</u>		<u>\$76,164</u>	<u>\$0</u>	<u>\$0</u>

¹ Standard & Poor's

² Reported at Amortized Cost

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$4,395,406	\$35,195
Cash Held by Fiscal Agent	(806,130)	
Certificates of Deposit (with maturities of more than 3 months)	35,195	(35,195)
Investments:		
STAR Ohio	(76,164)	76,164
Per GASB Statement No. 3	<u>\$3,548,307</u>	<u>\$76,164</u>

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the Village. Real property taxes (other than public utility) collected during 2021 were levied after October 1, 2020 on assessed values as of January 1, 2020, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2016. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Village of East Palestine. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full property tax rate for all Village operations for the year ended December 31, 2021 was \$13.90 per \$1,000 of assessed value. The assessed value upon which the 2021 tax levy was based was \$69,939,220. This amount constitutes \$64,863,910 in real property assessed value and \$5,075,310 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the Village's share is 1.39% (13.90 mills) of assessed value.

B. Income Taxes

The Village levies a tax of 1.5% on all salaries, wages, commissions and other compensation, on net profits earned within the Village and on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2021 consisted of taxes, accounts, interest, and intergovernmental receivables.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2021:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$25,000	\$118,068
Other Governmental Funds	118,068	0
Total Governmental Funds	<u>143,068</u>	<u>118,068</u>
Proprietary Funds:		
Water Fund	0	10,000
Wastewater Fund	0	15,000
Total Proprietary Funds	<u>0</u>	<u>25,000</u>
Totals	<u>\$143,068</u>	<u>\$143,068</u>

In 2021 the Water Fund and Wastewater Fund transferred \$10,000 and \$15,000, respectively, to the General Fund for payment of accrued sick and vacation time of retiring employees. In addition, the General Fund transferred \$118,068 to the Capital Improvement Fund for capital purchases.

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VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2021:

Historical Cost:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Capital assets not being depreciated:				
Land	\$295,074	\$0	\$0	\$295,074
Construction in Progress	283,067	196,444	(283,067)	196,444
Subtotal	578,141	196,444	(283,067)	491,518
Capital assets being depreciated:				
Buildings	839,024	0	0	839,024
Improvements Other than Buildings	321,241	0	0	321,241
Machinery and Equipment	4,039,383	102,396	(36,289)	4,105,490
Infrastructure	7,664,736	640,213	0	8,304,949
Subtotal	12,864,384	742,609	(36,289)	13,570,704
Total Cost	<u>\$13,442,525</u>	<u>\$939,053</u>	<u>(\$319,356)</u>	<u>\$14,062,222</u>
Accumulated Depreciation:				
Class	December 31, 2020	Additions	Deletions	December 31, 2021
Buildings	(\$461,578)	(\$16,810)	\$0	(\$478,388)
Improvements Other than Buildings	(146,421)	(12,374)	0	(158,795)
Machinery and Equipment	(2,650,957)	(172,655)	32,660	(2,790,952)
Infrastructure	(2,491,297)	(321,655)	0	(2,812,952)
Total Depreciation	<u>(\$5,750,253)</u>	<u>(\$523,494) *</u>	<u>\$32,660</u>	<u>(\$6,241,087)</u>
Net Value:	<u>\$7,692,272</u>			<u>\$7,821,135</u>

*Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$140,928
Leisure Time Activities	34,169
Transportation	345,320
General Government	3,077
Total Depreciation Expense	<u>\$523,494</u>

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 7 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2021:

Historical Cost:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Capital assets not being depreciated:				
Land	\$186,511	\$0	\$0	\$186,511
Construction in Progress	4,928,453	4,093,749	(1,388,316)	7,633,886
Subtotal	5,114,964	4,093,749	(1,388,316)	7,820,397
Capital assets being depreciated:				
Buildings	2,079,874	884,764	0	2,964,638
Improvements Other than Buildings	1,581,627	196,057	0	1,777,684
Machinery and Equipment	1,557,339	396,744	(27,409)	1,926,674
Infrastructure	11,506,564	307,495	0	11,814,059
Subtotal	16,725,404	1,785,060	(27,409)	18,483,055
Total Cost	\$21,840,368	\$5,878,809	(\$1,415,725)	\$26,303,452

Accumulated Depreciation:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Buildings	(\$1,696,841)	(\$32,051)	\$0	(\$1,728,892)
Improvements Other than Buildings	(444,897)	(34,535)	0	(479,432)
Machinery and Equipment	(1,425,861)	(40,885)	27,409	(1,439,337)
Infrastructure	(5,501,262)	(244,329)	0	(5,745,591)
Total Depreciation	(\$9,068,861)	(\$351,800)	\$27,409	(\$9,393,252)
Net Value:	\$12,771,507			\$16,910,200

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. 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% 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), 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. For additional information, see the Plan Statement in the OPERS Comprehensive Annual Financial Report.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	<u>State and Local</u>
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$160,593 for 2021. Of this amount, \$11,560 is reported as a payable.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$92,872 for 2021. Of this amount \$6,716 is reported as a payable.

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The Village's proportion of the net pension liability was based on the Village'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:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$1,142,721	\$1,071,430	\$2,214,151
Proportion of the Net Pension Liability-2021	0.007717%	0.015717%	
Proportion of the Net Pension Liability-2020	0.007652%	0.015923%	
Percentage Change	0.000065%	(0.000206%)	
Pension Expense	(\$12,394)	\$70,567	\$58,173

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$0	\$17,966	\$17,966
Differences between expected and actual experience	0	44,792	44,792
Change in proportionate share	0	12,461	12,461
Village contributions subsequent to the measurement date	<u>160,593</u>	<u>92,872</u>	<u>253,465</u>
Total Deferred Outflows of Resources	<u>\$160,593</u>	<u>\$168,091</u>	<u>\$328,684</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$445,399	\$51,969	\$497,368
Differences between expected and actual experience	47,804	41,740	89,544
Change in proportionate share	<u>26,066</u>	<u>10,233</u>	<u>36,299</u>
Total Deferred Inflows of Resources	<u>\$519,269</u>	<u>\$103,942</u>	<u>\$623,211</u>

\$253,465 reported as deferred outflows of resources related to pension resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	(\$214,089)	\$3,745	(\$210,344)
2023	(62,871)	18,305	(44,566)
2024	(181,559)	(47,653)	(229,212)
2025	(60,750)	(5,082)	(65,832)
2026	<u>0</u>	<u>1,962</u>	<u>1,962</u>
Total	<u>(\$519,269)</u>	<u>(\$28,723)</u>	<u>(\$547,992)</u>

Actuarial Assumptions - OPERS

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

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020 and December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2020
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	0.5 percent simple through 2021. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Village’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Village's proportionate share of the net pension liability	\$2,179,744	\$1,142,721	\$280,436

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, compared with January 1, 2019, are presented below.

	January 1, 2020	January 1, 2019
Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2020 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2020 valuation, 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.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2020 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

* levered 2.5x

Note: Assumptions are geometric

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

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2020, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2019 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Village's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Village's proportionate share of the net pension liability	\$1,491,566	\$1,071,430	\$719,816

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements *For the Year Ended December 31, 2021*

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2021.

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

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

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. 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.

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

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contractually required contribution to OP&F was \$2,386 for 2021. Of this amount, \$177 is reported as a 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, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The Village's proportion of the net OPEB liability (asset) was based on the Village's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset)	(\$128,040)	\$166,522	\$38,482
Proportion of the Net OPEB Liability (Asset) -2021	0.007187%	0.015717%	
Proportion of the Net OPEB Liability-2020	0.007127%	0.015923%	
Percentage Change	<u>0.000060%</u>	<u>(0.000206%)</u>	
OPEB Expense	(\$792,054)	\$11,220	(\$780,834)

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$62,946	\$91,995	\$154,941
Village contributions subsequent to the measurement date	0	2,386	2,386
Total Deferred Outflows of Resources	<u>\$62,946</u>	<u>\$94,381</u>	<u>\$157,327</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$68,195	\$6,191	\$74,386
Changes in assumptions	207,462	26,546	234,008
Differences between expected and actual experience	115,559	27,466	143,025
Change in proportionate share	15,860	9,911	25,771
Total Deferred Inflows of Resources	<u>\$407,076</u>	<u>\$70,114</u>	<u>\$477,190</u>

\$2,386 reported as deferred outflows of resources related to OPEB resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. 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&F</u>	<u>Total</u>
2022	(\$187,252)	\$3,866	(\$183,386)
2023	(119,211)	5,335	(113,876)
2024	(29,636)	3,023	(26,613)
2025	(8,031)	4,302	(3,729)
2026	0	2,740	2,740
2027	0	2,027	2,027
2028	0	588	588
Total	<u>(\$344,130)</u>	<u>\$21,881</u>	<u>(\$322,249)</u>

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent initial, 3.5 percent ultimate in 2035
Prior Measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

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

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

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent.

VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Village's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the Village's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the Village'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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Village's proportionate share of the net OPEB liability (asset)	(\$31,838)	(\$128,040)	(\$207,129)

Sensitivity of the Village'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 (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Village's proportionate share of the net OPEB liability (asset)	(\$131,163)	(\$128,040)	(\$124,551)

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-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 pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	2.96 percent	3.56 percent
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements *For the Year Ended December 31, 2021*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

* levered 2x

Note: Assumptions are geometric

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

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
Village's proportionate share of the net OPEB liability	\$207,643	\$166,522	\$132,602

Sensitivity of the Village's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

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VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the Village at December 31, 2021 were as follows:

			Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Amount Due Within One Year
Governmental Activities Debt:							
Ohio Public Works Commission Loan:							
Bridge Replacement	0.00%	2029	\$72,000	\$0	(\$8,000)	\$64,000	\$8,000
General Obligation Bonds:							
Various Purpose*	4.75%	2033	295,000	0	(15,000)	280,000	20,000
Governmental Activities Other Long-Term Obligations:							
Capital Leases			70,530	0	(34,652)	35,878	35,878
Compensated Absences Payable			95,724	34,935	(31,824)	98,835	35,465
Total Governmental Activities			<u>\$533,254</u>	<u>\$34,935</u>	<u>(\$89,476)</u>	<u>\$478,713</u>	<u>\$99,343</u>

*The various purpose general obligation bonds are direct placement debt.

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VILLAGE OF EAST PALESTINE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

			Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Amount Due Within One Year
Business-Type Activities Debt:							
Revenue Bonds:							
Sewerage System Refunding Bonds	1.375%	2060	\$8,276,000	\$0	(\$155,000)	\$8,121,000	\$160,000
Ohio Public Works Commission Loans:							
Phase Five Sanitary Sewer	0.00%	2025	148,225	0	(26,950)	121,275	26,950
Brookdale Water	0.00%	2039	67,124	0	(3,534)	63,590	3,534
Brookdale Sewer	0.00%	2039	156,645	0	(8,244)	148,401	8,244
Water Storage Facility	0.00%	2033	167,400	0	(12,400)	155,000	12,400
Total OPWC Loans:			539,394	0	(51,128)	488,266	51,128
Ohio Water Development Authority Loans:							
Wastewater Treatment Plant	1.00%	2025	638,014	0	(125,069)	512,945	126,324
Waterline Extension	3.95%	2038	65,293	0	(2,549)	62,744	2,650
Sewer Line Extension	3.95%	2038	43,411	0	(1,695)	41,716	1,762
WWTP Phosphorous Reduction	1.00%	2030	25,014	0	(2,523)	22,491	2,548
Water Booster Station	4.14%	2032	185,831	0	(12,912)	172,919	13,454
Moore Lane	2.00%	2042	214,205	0	(7,838)	206,367	7,995
Wheathill Reservoir	1.94%	2043	299,876	0	(10,182)	289,694	10,380
Water Pump House Expansion	1.68%	2039	1,328,678	0	(60,644)	1,268,034	0
Waterline Improvements	0.00%	2040	3,049	52,768	0	55,817	0
Total OWDA Loans:			2,803,371	52,768	(223,412)	2,632,727	165,113
Business-Type Activities Other Long-Term Obligations:							
Capital Leases			289,931	0	(142,901)	147,030	147,030
Compensated Absences			84,986	14,861	(19,434)	80,413	17,241
Total Business-Type Activities			<u>\$11,993,682</u>	<u>\$67,629</u>	<u>(\$591,875)</u>	<u>\$11,469,436</u>	<u>\$540,512</u>

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

OWDA Loan - In 2017, the Village entered into an agreement with the Ohio Water Development Authority to receive a planning loan for a water pump house replacement project. In 2019 this loan was rolled into a second loan for construction costs. The interest rate on the current loan is 1.68% per annum. This loan is payable from water service charges. The loan can only be received by the Village in increments as the project is completed. As of December 31, 2021, the Village had received \$1,388,316. As of December 31, 2021, the loan has not been finalized and there is no amortization schedule for the loan.

OWDA Loan - In 2020, the Village entered into an agreement with the Ohio Water Development Authority to receive a loan for waterline improvements. The interest rate on the loan is 0% per annum. This loan is payable from water service charges. The loan can only be received by the Village in increments as the project is completed. As of December 31, 2021, the Village had received \$55,817. As of December 31, 2021, the loan has not been finalized and there is no amortization schedule for the loan.

In February 2003, the Village defeased \$2,236,000 of FHA Loans for Sewer Improvements through the issuance of \$2,235,000 of General Obligation Bonds for Sewer System Improvements. The net proceeds of the 2003 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,142,000 at December 31, 2021, are not included in the Village's outstanding debt since the Village has in-substance satisfied its obligations through the advance refunding.

In June 2020 the Village issued \$8,276,000 of Sewer System Improvement Revenue bonds. The bonds carry an interest rate of 1.375% and mature in 2060. A portion of the bond proceeds were used to defease \$1,265,000 of Sewer System Improvement Refunding Bonds dated 2011.

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A summary of the Village's future long-term debt funding requirements, including principal and interest payments as of December 31, 2021 follows:

Governmental Activities						
Years	OPWC Loan		General Obligation Bonds			
	Principal	Interest	Principal	Interest		
2022	\$8,000	\$0	\$20,000	\$13,300		
2023	8,000	0	20,000	12,350		
2024	8,000	0	20,000	11,400		
2025	8,000	0	20,000	10,450		
2026	8,000	0	20,000	9,500		
2027-2031	24,000	0	125,000	30,876		
2032-2033	0	0	55,000	4,038		
Totals	<u>\$64,000</u>	<u>\$0</u>	<u>\$280,000</u>	<u>\$91,914</u>		

Business-Type Activities						
Years	Revenue Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$160,000	\$111,664	\$165,113	\$25,557	\$51,128	\$0
2023	160,000	109,464	167,505	23,182	51,128	0
2024	165,000	107,264	169,950	20,757	51,128	0
2025	165,000	104,995	172,445	18,282	51,128	0
2026	170,000	102,726	43,531	16,081	37,653	0
2027-2031	875,000	478,158	233,714	60,558	120,890	0
2032-2036	940,000	416,420	161,605	31,275	89,890	0
2037-2041	1,005,000	349,869	144,370	12,788	35,321	0
2042-2046	1,075,000	278,920	50,643	1,315	0	0
2047-2051	1,145,000	203,020	0	0	0	0
2052-2056	1,225,000	122,170	0	0	0	0
2057-2060	1,036,000	35,737	0	0	0	0
Totals	<u>\$8,121,000</u>	<u>\$2,420,407</u>	<u>\$1,308,876</u>	<u>\$209,795</u>	<u>\$488,266</u>	<u>\$0</u>

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VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 11 - CAPITAL LEASES

The Village leases several assets under capital leases. The original cost of the assets and the related liability reported as Governmental Activities capital leases are reported on the Government-wide Statement of Net Position. The liability reported as Business Type Activities capital leases is reported on the Government-wide Statement of Net Position as well as in the respective funds, however, the assets acquired under the lease agreement are not reported in the financial statements.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2021:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	<u>\$37,146</u>	<u>\$151,280</u>
Minimum Lease Payments	<u>37,146</u>	<u>151,280</u>
Less amount representing interest at the Village's incremental borrowing rate of interest	<u>(1,268)</u>	<u>(4,250)</u>
Present value of minimum lease payments	<u>\$35,878</u>	<u>\$147,030</u>

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VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 12 - INSURANCE AND RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Worker's Compensation claims are covered through the Village's participation in the State of Ohio's program. The Village pays the State Worker's Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 13 - SIGNIFICANT COMMITMENTS

The Village had the following contractual commitments at December 31, 2021:

Project	Remaining Contractual Commitment	Expected Date of Completion
Wastewater Treatment Plant Improvements	\$2,318,218	2022
	\$2,318,218	

At December 31, 2021 the Village had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	\$15,531
Street Construction, Maintenance and Repair Fund	2,776
Other Governmental Funds	10,335
Total Governmental Funds	\$28,642

NOTE 14 – TAX ABATEMENTS

The Village of East Palestine provides tax incentives under The Community Reinvestment Area (CRA).

Real Property Tax Exemption

Pursuant to Ohio Revised Code Chapter 5709, the Village established a Community Reinvestment area in 2003, which included all land within the boundaries of the Village of East Palestine. The Village of East Palestine authorizes incentives through passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvement 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 Area gave the Village the ability to maintain and expand business located in the Village and create new jobs by abating or reducing assessed valuation of properties resulting in abated taxes, from new or improved business real estate and includes major housing improvements. The Village of East Palestine also contracts with the East Palestine School District for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

The Village of East Palestine has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 14 – TAX ABATEMENTS (Continued)

Below is the information relevant to the disclosure of this program for the year ending December 31, 2021.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2021</u>
<i>Community Reinvestment Area (CRA)</i>	
Nursing Homes	\$35,290
Residential	9,671
	<u>\$44,961</u>

Pursuant to Section 5709.82 of the Ohio Revised Code, The Village of East Palestine and the East Palestine School District in line with Section 5709.82 of the Ohio Revised Code, created various Community Reinvestment Area Compensation Agreements. Currently the Village of East Palestine only has one agreement with the East Palestine School District, 50% of the total annual municipal income tax revenues.

The following are the required amounts of income tax dollars paid by the Village of East Palestine to the East Palestine School District in 2021:

Nursing Home	\$12,113
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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 15 - CONTINGENCIES

A. Litigation

The Village is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Village's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

B. Asset Retirement Obligation

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 Village to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the Village would be responsible to address any public safety issues associated with their waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of this statement had no effect on beginning of year net position/fund balance.

NOTE 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 18 – SUBSEQUENT EVENT

In December 2021 the Village was approved for an Ohio Water Development Authority loan in the amount of \$618,528 for waterline improvements. The loan carries an interest rate of 0%.

VILLAGE OF EAST PALESTINE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF EAST PALESTINE, OHIO

***Schedule of Village's Proportionate Share of the Net Pension Liability
Last Eight Years***

Ohio Public Employees Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.008241%	0.008241%	0.008037%
Village's proportionate share of the net pension liability (asset)	\$971,506	\$993,958	\$1,392,184
Village's covered payroll	\$964,362	\$995,042	\$981,975
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	100.74%	99.89%	141.77%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	0.016896%	0.016896%	0.015934%
Village's proportionate share of the net pension liability (asset)	\$822,869	\$875,263	\$1,025,052
Village's covered payroll	\$346,505	\$353,944	\$359,597
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	237.48%	247.29%	285.06%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

VILLAGE OF EAST PALESTINE, OHIO

2017	2018	2019	2020	2021
0.008202%	0.008044%	0.008206%	0.007652%	0.007717%
\$1,862,596	\$1,261,924	\$2,247,458	\$1,512,470	\$1,142,721
\$992,225	\$1,048,708	\$1,112,057	\$1,076,679	\$1,086,900
187.72%	120.33%	202.10%	140.48%	105.14%
77.25%	84.66%	74.70%	82.17%	86.88%

2017	2018	2019	2020	2021
0.017213%	0.016787%	0.016551%	0.015923%	0.015717%
\$1,090,242	\$1,030,266	\$1,351,000	\$1,072,647	\$1,071,430
\$383,269	\$393,849	\$404,301	\$406,029	\$413,907
284.46%	261.59%	334.16%	264.18%	258.86%
68.36%	70.91%	63.07%	69.89%	70.65%

VILLAGE OF EAST PALESTINE, OHIO

***Schedule of Village's Pension Contributions
Last Nine Years***

Ohio Public Employees Retirement System

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$125,367	\$119,405	\$117,837
Contributions in relation to the contractually required contribution	<u>125,367</u>	<u>119,405</u>	<u>117,837</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered payroll	\$964,362	\$995,042	\$981,975
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$59,183	\$72,063	\$70,611
Contributions in relation to the contractually required contribution	<u>59,183</u>	<u>72,063</u>	<u>70,611</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered payroll	\$346,505	\$353,944	\$359,597
Contributions as a percentage of covered payroll	17.08%	20.36%	19.64%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See notes to the required supplementary information

VILLAGE OF EAST PALESTINE, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$119,067	\$136,332	\$155,688	\$150,735	\$152,166	\$160,593
<u>119,067</u>	<u>136,332</u>	<u>155,688</u>	<u>150,735</u>	<u>152,166</u>	<u>160,593</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$992,225	\$1,048,708	\$1,112,057	\$1,076,679	\$1,086,900	\$1,147,093
12.00%	13.00%	14.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$75,248	\$77,294	\$79,397	\$79,735	\$81,322	\$92,872
<u>75,248</u>	<u>77,294</u>	<u>79,397</u>	<u>79,735</u>	<u>81,322</u>	<u>92,872</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$383,269	\$393,849	\$404,301	\$406,029	\$413,907	\$477,248
19.63%	19.63%	19.64%	19.64%	19.65%	19.46%

VILLAGE OF EAST PALESTINE, OHIO

***Schedule of Village's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability/Asset
Last Five Years***

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
Village's proportion of the net OPEB liability (asset)	0.007677%	0.007505%	0.007641%
Village's proportionate share of the net OPEB liability (asset)	\$775,387	\$814,955	\$996,206
Village's covered payroll	\$992,225	\$1,048,708	\$1,112,057
Village's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.15%	77.71%	89.58%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
Village's proportion of the net OPEB liability (asset)	0.017213%	0.016787%	0.016551%
Village's proportionate share of the net OPEB liability (asset)	\$817,054	\$951,102	\$150,722
Village's covered payroll	\$383,269	\$393,849	\$404,301
Village's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	213.18%	241.49%	37.28%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 75 in 2018.

Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See notes to the required supplementary information

VILLAGE OF EAST PALESTINE, OHIO

<u>2020</u>	<u>2021</u>
0.007127%	0.007187%
\$984,426	(\$128,040)
\$1,076,679	\$1,086,900
91.43%	(11.78%)
47.80%	115.57%

<u>2020</u>	<u>2021</u>
0.015923%	0.015717%
\$157,281	\$166,522
\$406,029	\$413,907
38.74%	40.23%
47.08%	45.42%

VILLAGE OF EAST PALESTINE, OHIO

***Schedule of Village's Other Postemployment Benefit (OPEB) Contributions
Last Nine Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$9,644	\$19,901	\$19,640
Contributions in relation to the contractually required contribution	<u>9,644</u>	<u>19,901</u>	<u>19,640</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered payroll	\$964,362	\$995,042	\$981,975
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$12,915	\$1,770	\$1,798
Contributions in relation to the contractually required contribution	<u>12,915</u>	<u>1,770</u>	<u>1,798</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Village's covered payroll	\$346,505	\$353,944	\$359,597
Contributions as a percentage of covered payroll	3.73%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The Village implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See notes to the required supplementary information

VILLAGE OF EAST PALESTINE, OHIO

2016	2017	2018	2019	2020	2021
\$19,845	\$10,488	\$0	\$0	\$0	\$0
<u>19,845</u>	<u>10,488</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$992,225	\$1,048,708	\$1,112,057	\$1,076,679	\$1,086,900	\$1,147,093
2.00%	1.00%	0.00%	0.00%	0.00%	0.00%

2016	2017	2018	2019	2020	2021
\$1,916	\$1,970	\$2,022	\$2,030	\$2,070	\$2,386
<u>1,916</u>	<u>1,970</u>	<u>2,022</u>	<u>2,030</u>	<u>2,070</u>	<u>2,386</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$383,269	\$393,849	\$404,301	\$406,029	\$413,907	\$477,248
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

VILLAGE OF EAST PALESTINE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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VILLAGE OF EAST PALESTINE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020 - 2021: There were no changes in benefit terms.

VILLAGE OF EAST PALESTINE, OHIO

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2021***

NET OPEB LIABILITY (ASSET) (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.56% to 2.96%.

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**VILLAGE OF EAST PALESTINE
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	110631	<u>\$43,088</u>
Total Highway Planning and Construction Cluster			<u>43,088</u>
Total U.S. Department of Transportation			<u>43,088</u>
U.S. DEPARTMENT OF AGRICULTURE - RURAL DEVELOPMENT			
<i>Direct Program</i>			
Water & Waste Disposal Systems for Rural Communities - Loan	10.760	N/A	4,402,455
Water & Waste Disposal Systems for Rural Communities - Grant	10.760	N/A	<u>728,551</u>
Total U.S. Department of Agriculture			<u>5,131,006</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Office of Criminal Justice Services</i>			
Justice Assistance Grant Program	16.738	N/A	<u>36,884</u>
Total U.S. Department of Justice			<u>36,884</u>
Total Expenditures of Federal Awards			<u>\$5,210,978</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF EAST PALESTINE
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of East Palestine (the Village's) under programs of the federal government for the year ended December 31, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The Village did not provide any funds to subrecipients.

NOTE E - -- LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed below are administered directly by the Village, and balances and transactions relating to these programs are included in the Village's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at December 31, 2021 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2021
10.760	Water & Waste Disposal System for Rural Communities	\$8,121,000



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

Village of East Palestine
Columbiana County
85 North Market Street
East Palestine, Ohio 44413

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of East Palestine, Columbiana County, (the Village) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 29, 2022. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Village financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village'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 Village internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2022



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Village of East Palestine
Columbiana County
85 North Market Street
East Palestine, Ohio 44413

To the Village Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Village of East Palestine’s (the Village) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect the Village of East Palestine’s major federal program for the year ended December 31, 2021. The Village of East Palestine’s major federal program is identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

In our opinion, the Village of East Palestine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Village’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Village's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2022

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**VILLAGE OF EAST PALESTINE
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Wastewater Disposal Systems for Rural Communities- CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF EAST PALESTINE

COLUMBIANA 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 9/22/2022

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

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