



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY  
DECEMBER 31, 2024**

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**VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY  
DECEMBER 31, 2024**

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# OHIO AUDITOR OF STATE KEITH FABER



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

## 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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund 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 1 to the financial statements, the financial impact of the train derailment containing hazardous material which occurred on February 3, 2023, has been reflected in the accompanying financial statements as an extraordinary item. This matter is ongoing and 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 is presented for purposes of additional analysis and is 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 September 16, 2025, 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  
Ohio Auditor of State



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

September 16, 2025

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## VILLAGE OF EAST PALESTINE, OHIO

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2024***

***Unaudited***

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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, 2024. 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 2024 are as follows:

- ❑ In total, net position increased \$6,509,873. Net position of governmental activities increased \$4,982,708, or 36% from 2023. Business-type activities reported an increase in net position of \$1,527,165, or 10% from 2023.
- ❑ General revenues accounted for \$3,881,990 in revenue or 29% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,319,724, or 71% of total revenues of \$13,201,714.
- ❑ The Village had \$4,879,254 in expenses related to governmental activities; \$5,564,647 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,881,990 were adequate to provide for these programs.
- ❑ The Village reported an extraordinary gain of \$405,325 in 2024. This amount is the result of continuing costs incurred by the Village, net of subsequent reimbursements and other amounts received, due to the Norfolk Southern Train derailment event on February 3, 2023.
- ❑ Among major funds, the general fund had \$3,405,155 in revenues and \$2,874,751 in expenditures. The general fund's fund balance increased \$757,611 to a balance of \$3,160,080.

### **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***

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2024***

***Unaudited***

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#### **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, general government, and interest on long term debt.
- *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, 2024**

**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 2024 compared to 2023.

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$8,206,904	\$6,130,958	\$2,531,531	\$5,540,189	\$10,738,435	\$11,671,147
Net OPEB Asset	46,981	0	23,969	0	70,950	0
Capital Assets, Net	16,068,710	11,993,634	26,913,115	23,108,157	42,981,825	35,101,791
Total Assets	24,322,595	18,124,592	29,468,615	28,648,346	53,791,210	46,772,938
Deferred Outflows of Resources	1,634,138	1,523,865	279,782	379,698	1,913,920	1,903,563
Net Pension Liability	3,615,805	3,255,895	745,860	806,053	4,361,665	4,061,948
Net OPEB Liability	162,772	159,912	0	16,025	162,772	175,937
Other Long-term Liabilities	946,307	1,067,290	11,454,853	11,199,569	12,401,160	12,266,859
Other Liabilities	1,348,338	290,547	416,873	1,411,182	1,765,211	1,701,729
Total Liabilities	6,073,222	4,773,644	12,617,586	13,432,829	18,690,808	18,206,473
Deferred Inflows of Resources	998,658	972,668	13,714	5,283	1,012,372	977,951
Net Position						
Net Investment in Capital Assets	15,365,974	11,186,430	15,289,298	10,755,124	30,655,272	21,941,554
Restricted	1,690,728	1,660,520	23,969	0	1,714,697	1,660,520
Unrestricted	1,828,151	1,055,195	1,803,830	4,834,808	3,631,981	5,890,003
Total Net Position	\$18,884,853	\$13,902,145	\$17,117,097	\$15,589,932	\$36,001,950	\$29,492,077

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

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### ***Management's Discussion and Analysis For the Year Ended December 31, 2024***

***Unaudited***

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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, 2024

*Unaudited*

Changes in Net Position – The following table shows the changes in net position for 2024 compared to 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for Services and Sales	\$601,232	\$584,717	\$2,072,014	\$2,054,564	\$2,673,246	\$2,639,281
Operating Grants and Contributions	453,130	495,930	0	0	453,130	495,930
Capital Grants and Contributions	4,510,285	664,809	1,683,063	3,263,587	6,193,348	3,928,396
Total Program Revenues	5,564,647	1,745,456	3,755,077	5,318,151	9,319,724	7,063,607
General Revenues:						
Property Taxes	791,087	777,434	0	0	791,087	777,434
Income Taxes	2,467,820	1,971,152	0	0	2,467,820	1,971,152
Other Local Taxes	413	310	0	0	413	310
Intergovernmental Revenues, Unrestricted	189,730	211,366	0	0	189,730	211,366
Investment Earnings	275,138	171,325	0	0	275,138	171,325
Miscellaneous	157,802	145,871	0	0	157,802	145,871
Total General Revenues	3,881,990	3,277,458	0	0	3,881,990	3,277,458
Total Revenues	9,446,637	5,022,914	3,755,077	5,318,151	13,201,714	10,341,065
Program Expenses						
Security of Persons and Property	2,862,284	2,450,278	0	0	2,862,284	2,450,278
Leisure Time Activities	311,279	348,866	0	0	311,279	348,866
Community Environment	2,688	0	0	0	2,688	0
Public Health and Welfare	42,572	47,109	0	0	42,572	47,109
Transportation	814,096	774,972	0	0	814,096	774,972
General Government	817,388	859,780	0	0	817,388	859,780
Interest on Long Term Debt	28,947	32,685	0	0	28,947	32,685
Water	0	0	985,750	671,919	985,750	671,919
Wastewater	0	0	1,232,162	1,154,461	1,232,162	1,154,461
Total Expenses	4,879,254	4,513,690	2,217,912	1,826,380	7,097,166	6,340,070
Change in Net Position Before Transfers and Extraordinary Items	4,567,383	509,224	1,537,165	3,491,771	6,104,548	4,000,995
Transfers	10,000	10,000	(10,000)	(10,000)	0	0
Extraordinary Item: Train Derailment	405,325	4,409,624	0	4,313,694	405,325	8,723,318
Total Change in Net Position	4,982,708	4,928,848	1,527,165	7,795,465	6,509,873	12,724,313
Beginning Net Position - Restated	13,902,145	8,973,297	15,589,932	7,794,467	29,492,077	16,767,764
Ending Net Position	\$18,884,853	\$13,902,145	\$17,117,097	\$15,589,932	\$36,001,950	\$29,492,077

### Governmental Activities

Governmental activities net position increased \$4,982,708, or 36%. Capital grants included \$3.5 million received from Norfolk Southern Railroad for improvements to the Village park. An increase in income taxes can be attributed to an increase in work being performed in the Village as a result of the train derailment and waterline project.

An increase in security of persons and property can mostly be attributed to depreciation of capital assets that were acquired in the aftermath of the train derailment. Other expense categories were consistent with the prior year.

## VILLAGE OF EAST PALESTINE, OHIO

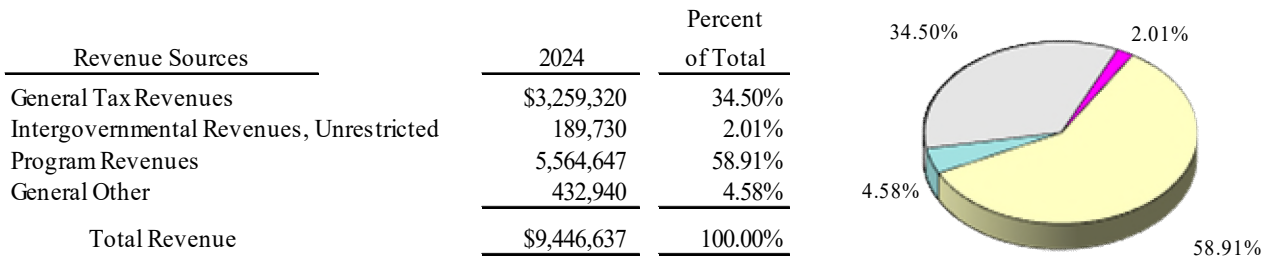
### Management's Discussion and Analysis For the Year Ended December 31, 2024

Unaudited

In 2024 the Village incurred an additional \$1,601,980 in costs directly attributable to the February 3, 2023 Norfolk Southern train derailment. These costs were offset by \$2,007,305 in reimbursements and donations from Norfolk Southern, resulting in a net gain of \$405,325, which is reflected as an extraordinary item.

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 26% and 8% respectively, of revenues for governmental activities in 2024. The Village's reliance upon tax revenues is demonstrated by the following graph indicating 35% of total revenues from general tax revenues:



### Business-Type Activities

Net position of the business-type activities increased \$1,527,165. Charges for services and sales were consistent with the previous year. Capital grants consisted of amounts received from the Ohio Water Development Authority for waterline improvements as well as contributions from Norfolk Southern for water treatment plant improvements. An overall increase in expenses can be attributed to an overall increase in the costs of services and supplies.

### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village's governmental funds reported a combined fund balance of \$5,240,202, which is an increase from last year's balance of \$4,364,167. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2024 and 2023:

	Fund Balance December 31, 2024	Fund Balance December 31, 2023	Increase (Decrease)
General	\$3,160,080	\$2,402,469	\$757,611
Park Capital Improvement	7,300	7,300	0
Capital Improvement	139,598	121,136	18,462
Other Governmental	1,933,224	1,833,262	99,962
Total	\$5,240,202	\$4,364,167	\$876,035

## VILLAGE OF EAST PALESTINE, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2024*

*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:

	2024	2023	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$1,916,279	\$1,592,995	\$323,284
Intergovernmental Revenues	130,123	211,442	(81,319)
Charges for Services	331,070	266,992	64,078
Licenses and Permits	83,850	86,757	(2,907)
Investment Earnings	273,544	169,373	104,171
Fines and Forfeitures	10,774	12,603	(1,829)
Contributions and Donations	540,000	0	540,000
All Other Revenue	<u>119,515</u>	<u>132,315</u>	<u>(12,800)</u>
Total	<u>\$3,405,155</u>	<u>\$2,472,477</u>	<u>\$932,678</u>

General Fund revenues increased \$932,678, or approximately 38% from the prior year. An increase in income taxes can be attributed to an increase in work being performed in the Village as a result of the train derailment and waterline project. An increase in interest rates resulted in an increase in investment earnings. The Village received a \$540,000 donation from Norfolk Southern to be used towards the cost of a new safety complex center.

	2024	2023	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Current:			
Security of Persons and Property	\$1,520,380	\$1,398,125	\$122,255
Community Environment	685	0	685
Transportation	6,354	0	6,354
General Government	1,334,772	528,941	805,831
Debt Service:			
Principal Retirement	8,000	8,000	0
Interest and Fiscal Charges	<u>4,560</u>	<u>4,940</u>	<u>(380)</u>
Total	<u>\$2,874,751</u>	<u>\$1,940,006</u>	<u>\$934,745</u>

General Fund expenditures increased \$934,745, or 48%. This increase can mostly be attributed to the purchase of land and other items for a new safety service complex.

*Park Capital Improvement Fund* – The Park Capital Improvement Fund received \$3.5 million of contributions in 2024 for a park improvement project.

*Capital Improvement Fund* – The Capital Improvement Fund reported \$608,225 in outlays for various capital purchases which were funded by a combination of Federal and State grants, and transfers from the General Fund.

## VILLAGE OF EAST PALESTINE, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2024*

*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 2024 the Village amended its General Fund budget several times.

For the General Fund, final estimated revenues and expenditures increased significantly from original estimates due to the costs and subsequent reimbursements received associated with the Norfolk Southern train derailment. Final budgeted and actual budget basis revenues and 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 2024 the Village had \$42,981,825 net of accumulated depreciation invested in land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Of this total, \$16,068,710 was related to governmental activities and \$26,913,115 to the business-type activities. The following tables show fiscal year 2024 and 2023 balances:

	Governmental Activities		Increase (Decrease)
	2024	2023	
Land	\$480,274	\$295,074	\$185,200
Construction In Progress	4,540,876	590,744	3,950,132
Buildings	819,348	819,348	0
Improvements Other than Buildings	321,241	321,241	0
Machinery and Equipment	7,486,599	6,993,758	492,841
Infrastructure	9,697,733	9,486,099	211,634
Less: Accumulated Depreciation	(7,277,361)	(6,512,630)	(764,731)
Totals	<u>\$16,068,710</u>	<u>\$11,993,634</u>	<u>\$4,075,076</u>

Governmental activities capital asset activity included the purchase of land for construction of a safety service complex. A significant park renovation project resulted in an increase in construction in progress. Additions to machinery and equipment consisted of various public safety and park department equipment and vehicles. Additions to infrastructure consisted of various routine street resurfacing.



## **VILLAGE OF EAST PALESTINE, OHIO**

### ***Management's Discussion and Analysis For the Year Ended December 31, 2024***

***Unaudited***

	Business-Type Activities		Increase (Decrease)
	2024	2023	
Land	\$186,511	\$186,511	\$0
Construction in Progress	532,912	4,835,328	(4,302,416)
Buildings	9,304,512	5,123,439	4,181,073
Improvements Other than Buildings	7,616,895	7,616,895	0
Machinery and Equipment	2,122,874	1,987,714	135,160
Infrastructure	18,115,080	13,646,170	4,468,910
Less: Accumulated Depreciation	(10,965,669)	(10,287,900)	(677,769)
Totals	\$26,913,115	\$23,108,157	\$3,804,958

Business-Type additions included a waterline replacement project as well as water filtration improvements. Construction in progress consisted of a water 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, 2024 and 2023:

	2024	Restated 2023
Governmental Activities:		
Ohio Public Works Commission Loan	\$40,000	\$48,000
General Obligation Bonds	220,000	240,000
Installment Loans	416,387	490,670
Compensated Absences	269,920	288,620
Total Governmental Activities	946,307	1,067,290
Business-Type Activities:		
Revenue Bonds	7,636,000	7,801,000
Ohio Public Works Commission Loans	334,882	386,010
Ohio Water Development Authority Loans	3,381,948	2,888,619
Compensated Absences	102,023	123,940
Total Business-Type Activities	11,454,853	11,199,569
Totals	\$12,401,160	\$12,266,859

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, 2024, 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***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2024***

***Unaudited***

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### **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 which created jobs in East Palestine.

The residents of East Palestine passed a 5-mill street levy in 2010; with collections starting in 2011 and estimated collections of \$296,100. In 2024 we paved the following streets: High Street, North Sumner Street, and Irwin Street. Concord and Champagne Drives were paved by Columbiana County Engineer through Ohio Public Works with a local share. 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 2023 for 5 years, 2 mill Police Levy, renewed in 2021 for 5 years, 1 mill and 2 mill levy, renewed in 2022 for 5 years.

We started a Water Line Replacement project in 2023. This project was completed in 2024 and replaced approximately 20,000 feet of water line on the following streets: E. Clark St, W. Clark St, South St, W. Martin Extension, N. Market St, S. Market St, E Taggart St and Western Avenue Booster station was removed.

On May 7, 2019, residents voted to increase the income tax rate from 1% to 1 ½% effective January 1, 2020. Collections of the tax increase started in 2020 with 1/2% increase, 40% is going to the Police Fund, 40% is going to the Fire Fund and 20% is going to the General Fund.

On February 3, 2023, a Norfolk Southern Train containing hazardous materials derailed in the Village. We are still in the process of trying to recover and determine the financial impact on our community going forward. We are working on Economic Development and a downtown revitalization trying to recover from the train derailment.

In 2024, the village applied and was awarded a \$15,800,000 USDA safety grant and a \$1 million One Time Strategic Community Investments grant for a Government and Safety Complex Center. This center will house administrative, fire, and police. We are currently in the engineering phase with construction estimated to take place in 2026.

### **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. Melissa Hiner, Finance Director of the Village of East Palestine.

# VILLAGE OF EAST PALESTINE, OHIO

## Statement of Net Position December 31, 2024

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 5,911,002	\$ 2,014,214	\$ 7,925,216
Investments	37,243	0	37,243
Receivables:			
Taxes	1,721,909	0	1,721,909
Accounts	130,801	294,398	425,199
Intergovernmental	328,096	128,664	456,760
Inventory of Supplies at Cost	6,972	67,656	74,628
Prepaid Items	70,881	26,599	97,480
Net OPEB Asset	46,981	23,969	70,950
Non-Depreciable Capital Assets	5,021,150	719,423	5,740,573
Depreciable Capital Assets, Net	11,047,560	26,193,692	37,241,252
<b>Total Assets</b>	<b>24,322,595</b>	<b>29,468,615</b>	<b>53,791,210</b>
<b>Deferred Outflows of Resources:</b>			
Pension	1,478,804	259,214	1,738,018
OPEB	155,334	20,568	175,902
<b>Total Deferred Outflows of Resources</b>	<b>1,634,138</b>	<b>279,782</b>	<b>1,913,920</b>
<b>Liabilities:</b>			
Accounts Payable	247,323	317,231	564,554
Accrued Wages and Benefits	78,792	21,957	100,749
Intergovernmental Payable	46,449	6,632	53,081
Unearned Revenue	968,251	0	968,251
Accrued Interest Payable	7,523	71,053	78,576
Noncurrent Liabilities:			
Due Within One Year	174,920	486,521	661,441
Due in More Than One Year:			
Net Pension Liability	3,615,805	745,860	4,361,665
Net OPEB Liability	162,772	0	162,772
Other Amounts Due in More Than One Year	771,387	10,968,332	11,739,719
<b>Total Liabilities</b>	<b>6,073,222</b>	<b>12,617,586</b>	<b>18,690,808</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	759,319	0	759,319
Pension	75,553	0	75,553
OPEB	163,786	13,714	177,500
<b>Total Deferred Inflows of Resources</b>	<b>998,658</b>	<b>13,714</b>	<b>1,012,372</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	15,365,974	15,289,298	30,655,272
Restricted For:			
OPEB	46,981	23,969	70,950
Capital Projects	680,422	0	680,422
Other Purposes	963,325	0	963,325
Unrestricted	1,828,151	1,803,830	3,631,981
<b>Total Net Position</b>	<b>\$ 18,884,853</b>	<b>\$ 17,117,097</b>	<b>\$ 36,001,950</b>

See accompanying notes to the basic financial statements

## **VILLAGE OF EAST PALESTINE, OHIO**

### **Statement of Activities For the Year Ended December 31, 2024**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 2,862,284	\$ 390,344	\$ 46,424	\$ 571,749
Leisure Time Activities	311,279	90,940	50	3,454,015
Community Environment	2,688	0	0	0
Public Health and Welfare	42,572	36,098	0	30,000
Transportation	814,096	0	406,656	454,521
General Government	817,388	83,850	0	0
Interest on Long Term Debt	28,947	0	0	0
<b>Total Governmental Activities</b>	<b>4,879,254</b>	<b>601,232</b>	<b>453,130</b>	<b>4,510,285</b>
<b>Business-Type Activities:</b>				
Water	985,750	875,817	0	1,652,983
Wastewater	1,232,162	1,196,197	0	30,080
<b>Total Business-Type Activities</b>	<b>2,217,912</b>	<b>2,072,014</b>	<b>0</b>	<b>1,683,063</b>
<b>Totals</b>	<b>\$ 7,097,166</b>	<b>\$ 2,673,246</b>	<b>\$ 453,130</b>	<b>\$ 6,193,348</b>

#### **General Revenues, Transfers, and Extraordinary Items**

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Transfers

Extraordinary Item: Train Derailment

Total General Revenues, Transfers, and Extraordinary Items

Change in Net Position

Net Position as Previously Reported

Change in Accounting Principle (GASB Statement 101)

Net Position Beginning of Year as Restated

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
\$ (1,853,767)	\$ 0	\$ (1,853,767)
3,233,726	0	3,233,726
(2,688)	0	(2,688)
23,526	0	23,526
47,081	0	47,081
(733,538)	0	(733,538)
(28,947)	0	(28,947)
685,393	0	685,393
0	1,543,050	1,543,050
0	(5,885)	(5,885)
0	1,537,165	1,537,165
\$ 685,393	\$ 1,537,165	\$ 2,222,558
152,755	0	152,755
638,332	0	638,332
2,467,820	0	2,467,820
413	0	413
189,730	0	189,730
275,138	0	275,138
157,802	0	157,802
10,000	(10,000)	0
405,325	0	405,325
4,297,315	(10,000)	4,287,315
4,982,708	1,527,165	6,509,873
14,036,106	15,628,104	29,664,210
(133,961)	(38,172)	(172,133)
13,902,145	15,589,932	29,492,077
\$ 18,884,853	\$ 17,117,097	\$ 36,001,950

# VILLAGE OF EAST PALESTINE, OHIO

## **Balance Sheet** **Governmental Funds** **December 31, 2024**

	General	Park Capital Improvement	Capital Improvement	Other Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,985,176	\$ 7,300	\$ 1,134,198	\$ 1,784,328
Investments	0	0	0	37,243
Receivables:				
Taxes	832,876	0	0	889,033
Accounts	130,707	0	0	94
Intergovernmental	65,327	0	0	262,769
Inventory of Supplies	0	0	0	6,972
Prepaid Items	70,053	0	0	828
<b>Total Assets</b>	<b>\$ 4,084,139</b>	<b>\$ 7,300</b>	<b>\$ 1,134,198</b>	<b>\$ 2,981,267</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 209,510	\$ 0	\$ 26,349	\$ 11,464
Accrued Wages and Benefits Payable	55,795	0	0	22,997
Intergovernmental Payable	664	0	0	45,785
Unearned Revenue	0	0	968,251	0
<b>Total Liabilities</b>	<b>265,969</b>	<b>0</b>	<b>994,600</b>	<b>80,246</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	514,724	0	0	351,844
Property Tax Levy for Next Fiscal Year	143,366	0	0	615,953
<b>Total Deferred Inflows of Resources</b>	<b>658,090</b>	<b>0</b>	<b>0</b>	<b>967,797</b>
<b>Fund Balance:</b>				
Nonspendable	70,053	0	0	7,800
Restricted	0	7,300	0	1,276,803
Committed	59,315	0	139,598	648,621
Assigned	1,209,621	0	0	0
Unassigned	1,821,091	0	0	0
<b>Total Fund Balance</b>	<b>3,160,080</b>	<b>7,300</b>	<b>139,598</b>	<b>1,933,224</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 4,084,139</b>	<b>\$ 7,300</b>	<b>\$ 1,134,198</b>	<b>\$ 2,981,267</b>

See accompanying notes to the basic financial statements

## ***VILLAGE OF EAST PALESTINE, OHIO***

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Total Governmental Funds
<hr/>
\$ 5,911,002
37,243
1,721,909
130,801
328,096
6,972
70,881
<hr/>
\$ 8,206,904
<hr/>
\$ 247,323
78,792
46,449
968,251
<hr/>
1,340,815
<hr/>
866,568
759,319
<hr/>
1,625,887
<hr/>
77,853
1,284,103
847,534
1,209,621
1,821,091
<hr/>
5,240,202
<hr/>
\$ 8,206,904
<hr/>

## VILLAGE OF EAST PALESTINE, OHIO

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### ***Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2024***

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<b>Total Governmental Fund Balances</b>		<b>\$ 5,240,202</b>
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***Amounts reported for governmental activities in the  
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		16,068,710
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Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		866,568
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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	1,478,804	
Deferred Inflows - Pension	(75,553)	
Net Pension Liability	(3,615,805)	
Deferred Outflows - OPEB	155,334	
Deferred Inflows - OPEB	(163,786)	
Net OPEB Asset	46,981	
Net OPEB Liability	(162,772)	(2,336,797)

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

Compensated Absences Payable	(269,920)	
Ohio Public Works Commission Loans Payable	(40,000)	
Installment Loans Payable	(416,387)	
General Obligation Bonds Payable	(220,000)	
Accrued Interest Payable	(7,523)	(953,830)

<b><i>Net Position of Governmental Activities</i></b>		<b><u><u>\$ 18,884,853</u></u></b>
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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, 2024

		Formerly Major Street Levy Capital Replacement	Formerly Minor Park Capital Improvement	Formerly Minor Capital Improvement
	General			
<b>Revenues:</b>				
Taxes	\$ 1,916,279	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	130,123	0	0	473,055
Charges for Services	331,070	0	0	0
Licenses and Permits	83,850	0	0	0
Investment Earnings	273,544	0	0	0
Fines and Forfeitures	10,774	0	0	0
Contributions and Donations	540,000	0	3,454,015	0
All Other Revenue	119,515	0	0	0
<b>Total Revenue</b>	<b>3,405,155</b>	<b>0</b>	<b>3,454,015</b>	<b>473,055</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,520,380	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	685	0	0	0
Public Health and Welfare	0	0	0	0
Transportation	6,354	0	0	0
General Government	1,334,772	0	0	0
Capital Outlay	0	0	3,454,015	608,225
Debt Service:				
Principal Retirement	8,000	0	0	20,000
Interest & Fiscal Charges	4,560	0	0	6,840
<b>Total Expenditures</b>	<b>2,874,751</b>	<b>0</b>	<b>3,454,015</b>	<b>635,065</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	530,404	0	0	(162,010)
<b>Other Financing Sources (Uses):</b>				
Transfers In	16,354	0	0	180,472
Transfers Out	(194,472)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(178,118)</b>	<b>0</b>	<b>0</b>	<b>180,472</b>
<b>Extraordinary Items:</b>				
Train Derailment				
Reimbursements and Donations Received	2,007,305	0	0	0
Other Expenditures	(1,601,980)	0	0	0
<b>Total Extraordinary Items</b>	<b>405,325</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	757,611	0	0	18,462
<b>Fund Balance as Previously Reported</b>	<b>2,402,469</b>	<b>227,313</b>	<b>0</b>	<b>0</b>
Change in Financial Reporting Entity (Major/Minor Funds)	0	(227,313)	7,300	121,136
<b>Fund Balance at Beginning of Year as Restated</b>	<b>2,402,469</b>	<b>0</b>	<b>7,300</b>	<b>121,136</b>
Increase in Inventory	0	0	0	0
<b>Fund Balance End of Year</b>	<b>\$ 3,160,080</b>	<b>\$ 0</b>	<b>\$ 7,300</b>	<b>\$ 139,598</b>

See accompanying notes to the basic financial statements

## ***VILLAGE OF EAST PALESTINE, OHIO***

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Other Governmental Funds	Total Governmental Funds
\$ 1,252,551	\$ 3,168,830
544,415	1,147,593
159,642	490,712
0	83,850
1,594	275,138
2,490	13,264
0	3,994,015
45,733	165,248
<u>2,006,425</u>	<u>9,338,650</u>
771,787	2,292,167
281,850	281,850
2,003	2,688
41,788	41,788
472,187	478,541
0	1,334,772
252,880	4,315,120
74,283	102,283
18,814	30,214
<u>1,915,592</u>	<u>8,879,423</u>
90,833	459,227
14,000	210,826
<u>(6,354)</u>	<u>(200,826)</u>
<u>7,646</u>	<u>10,000</u>
0	2,007,305
0	(1,601,980)
<u>0</u>	<u>405,325</u>
98,479	874,552
1,734,385	4,364,167
98,877	0
<u>1,833,262</u>	<u>4,364,167</u>
1,483	1,483
<u>\$ 1,933,224</u>	<u>\$ 5,240,202</u>

## 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, 2024***

Net Change in Fund Balances - Total Governmental Funds	\$	874,552
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***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	5,011,534	
Depreciation Expense	(899,343)	4,112,191

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.	(37,115)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	107,987
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	300,150	
OPEB	3,938	304,088

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	(503,888)	
OPEB	1,160	(502,728)

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	20,000	
Installment Loan Principal Retirement	74,283	102,283

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	1,267
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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	18,700	
Change in Inventory	1,483	20,183

<b><i>Change in Net Position of Governmental Activities</i></b>	<b>\$</b>	<b>4,982,708</b>
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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, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,167,844	\$ 1,835,616	\$ 1,858,026	\$ 22,410
Intergovernmental Revenues	117,890	185,300	184,209	(1,091)
Charges for Services	211,905	333,072	324,944	(8,128)
Licenses and Permits	59,534	93,575	76,682	(16,893)
Investment Earnings	177,902	279,626	273,544	(6,082)
Fines and Forfeitures	7,762	12,200	11,598	(602)
All Other Revenues	277,425	2,824,730	2,822,334	(2,396)
Total Revenues	2,020,262	5,564,119	5,551,337	(12,782)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,593,323	1,648,536	1,572,797	75,739
General Government	877,363	3,667,793	3,619,812	47,981
Debt Service:				
Principal Retirement	8,000	8,000	8,000	0
Interest and Fiscal Charges	4,560	4,560	4,560	0
Total Expenditures	2,483,246	5,328,889	5,205,169	123,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	(462,984)	235,230	346,168	110,938
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(181,467)	(181,467)	(179,472)	1,995
Total Other Financing Sources (Uses):	(181,467)	(181,467)	(179,472)	1,995
Net Change in Fund Balance	(644,451)	53,763	166,696	112,933
Fund Balance at Beginning of Year	1,405,873	1,405,873	1,405,873	0
Prior Year Encumbrances	286,036	286,036	286,036	0
Fund Balance at End of Year	\$ 1,047,458	\$ 1,745,672	\$ 1,858,605	\$ 112,933

See accompanying notes to the basic financial statements

# VILLAGE OF EAST PALESTINE, OHIO

## Statement of Net Position Proprietary Funds December 31, 2024

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>Assets:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 828,685	\$ 1,185,529	\$ 2,014,214
Receivables:			
Accounts	117,367	177,031	294,398
Intergovernmental	128,664	0	128,664
Inventory of Supplies at Cost	65,578	2,078	67,656
Prepaid Items	17,552	9,047	26,599
Total Current Assets	1,157,846	1,373,685	2,531,531
Noncurrent Assets:			
Net OPEB Asset	10,490	13,479	23,969
Capital Assets, Net	12,658,237	14,254,878	26,913,115
Total Noncurrent Assets	12,668,727	14,268,357	26,937,084
<b>Total Assets</b>	<b>13,826,573</b>	<b>15,642,042</b>	<b>29,468,615</b>
<b>Deferred Outflows of Resources:</b>			
Pension	113,423	145,791	259,214
OPEB	9,000	11,568	20,568
<b>Total Deferred Outflows of Resources</b>	<b>122,423</b>	<b>157,359</b>	<b>279,782</b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	304,121	13,110	317,231
Accrued Wages and Benefits	9,772	12,185	21,957
Intergovernmental Payable	4,032	2,600	6,632
Compensated Absences Payable - Current	16,456	17,405	33,861
Accrued Interest Payable	17,115	53,938	71,053
Revenue Bond Payable - Current	0	165,000	165,000
OWDA Loans Payable - Current	101,764	134,768	236,532
OPWC Loans Payable - Current	15,934	35,194	51,128
Total Current Liabilities	469,194	434,200	903,394
Noncurrent Liabilities:			
Revenue Bonds Payable	0	7,471,000	7,471,000
OWDA Loans Payable	3,099,037	46,379	3,145,416
OPWC Loans Payable	154,854	128,900	283,754
Compensated Absences Payable	28,765	39,397	68,162
Net Pension Liability	326,362	419,498	745,860
Total Noncurrent Liabilities	3,609,018	8,105,174	11,714,192
<b>Total Liabilities</b>	<b>4,078,212</b>	<b>8,539,374</b>	<b>12,617,586</b>

(Continued)

## ***VILLAGE OF EAST PALESTINE, OHIO***

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	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>Deferred Inflows of Resources:</b>			
OPEB	6,001	7,713	13,714
<b>Total Deferred Inflows of Resources</b>	6,001	7,713	13,714
<b>Net Position:</b>			
Net Investment in Capital Assets	9,015,661	6,273,637	15,289,298
Restricted for OPEB	10,490	13,479	23,969
Unrestricted	838,632	965,198	1,803,830
<b>Total Net Position</b>	\$ 9,864,783	\$ 7,252,314	\$ 17,117,097

See accompanying notes to the basic financial statements

## **VILLAGE OF EAST PALESTINE, OHIO**

### **Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2024**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 835,180	\$ 1,182,787	\$ 2,017,967
<b>Total Operating Revenues</b>	<b>835,180</b>	<b>1,182,787</b>	<b>2,017,967</b>
<b>Operating Expenses:</b>			
Personal Services	333,682	424,925	758,607
Contractual Services	350,310	175,093	525,403
Materials and Supplies	55,729	56,283	112,012
Depreciation	211,265	466,504	677,769
<b>Total Operating Expenses</b>	<b>950,986</b>	<b>1,122,805</b>	<b>2,073,791</b>
<b>Operating Income (Loss)</b>	<b>(115,806)</b>	<b>59,982</b>	<b>(55,824)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Interest and Fiscal Charges	(34,764)	(109,357)	(144,121)
Other Nonoperating Revenue	40,637	13,410	54,047
<b>Total Non-Operating Revenues (Expenses)</b>	<b>5,873</b>	<b>(95,947)</b>	<b>(90,074)</b>
<b>Loss Before Transfers and Contributions,</b>	<b>(109,933)</b>	<b>(35,965)</b>	<b>(145,898)</b>
<b>Transfers and Contributions:</b>			
Transfers Out	(5,000)	(5,000)	(10,000)
Capital Contributions	1,652,983	30,080	1,683,063
<b>Total Transfers and Contributions</b>	<b>1,647,983</b>	<b>25,080</b>	<b>1,673,063</b>
<b>Change in Net Position</b>	<b>1,538,050</b>	<b>(10,885)</b>	<b>1,527,165</b>
<b>Net Position as Previously Reported</b>	<b>8,337,822</b>	<b>7,290,282</b>	<b>15,628,104</b>
Change in Accounting Principle (GASB Statement 101)	(11,089)	(27,083)	(38,172)
<b>Net Position Beginning of Year as Restated</b>	<b>8,326,733</b>	<b>7,263,199</b>	<b>15,589,932</b>
<b>Net Position End of Year</b>	<b>\$ 9,864,783</b>	<b>\$ 7,252,314</b>	<b>\$ 17,117,097</b>

See accompanying notes to the basic financial statements



***VILLAGE OF EAST PALESTINE, OHIO***

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# VILLAGE OF EAST PALESTINE, OHIO

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2024

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$873,666	\$1,192,156	\$2,065,822
Cash Payments for Goods and Services	(336,712)	(226,880)	(563,592)
Cash Payments to Employees	(337,944)	(436,317)	(774,261)
Net Cash Provided by Operating Activities	199,010	528,959	727,969
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers Out to Other Funds	(5,000)	(5,000)	(10,000)
Net Cash Used by Noncapital Financing Activities	(5,000)	(5,000)	(10,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(5,508,741)	(30,150)	(5,538,891)
Capital Contributions	1,574,319	30,080	1,604,399
Principal Paid on Ohio Water Development Authority Loans	(99,598)	(133,375)	(232,973)
Proceeds from Ohio Water Development Authority Loans	726,302	0	726,302
General Obligation Bond Principal Payment	0	(165,000)	(165,000)
Principal Paid on Ohio Public Works Commission Loans	(15,934)	(35,194)	(51,128)
Interest Paid on All Debt	(35,830)	(111,186)	(147,016)
Net Cash Used by Capital and Related Financing Activities	(3,359,482)	(444,825)	(3,804,307)
Increase (Decrease) in Cash and Cash Equivalents	(3,165,472)	79,134	(3,086,338)
Cash and Cash Equivalents at Beginning of Year	3,994,157	1,106,395	5,100,552
Cash and Cash Equivalents at End of Year	\$828,685	\$1,185,529	\$2,014,214

(Continued)

## ***VILLAGE OF EAST PALESTINE, OHIO***

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$115,806)	\$59,982	(\$55,824)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	211,265	466,504	677,769
Miscellaneous Nonoperating Revenue	40,503	13,276	53,779
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Increase in Accounts Receivable	(2,017)	(3,907)	(5,924)
Decrease in Inventory	3,286	4,958	8,244
Increase in Prepaid Items	(736)	(332)	(1,068)
Increase in Net OPEB Asset	(10,490)	(13,479)	(23,969)
Decrease in Deferred Outflows	46,823	53,093	99,916
Increase (Decrease) in Accounts Payable	61,663	(1,218)	60,445
Increase in Intergovernmental Payable	4,032	0	4,032
Increase in Accrued Wages and Benefits	9	264	273
Decrease in Compensated Absences	(3,101)	(18,816)	(21,917)
Decrease in Net Pension Liability	(32,926)	(27,267)	(60,193)
Decrease in Net OPEB Liability	(7,141)	(8,884)	(16,025)
Increase in Deferred Inflows	3,646	4,785	8,431
Total Adjustments	314,816	468,977	783,793
Net Cash Provided by Operating Activities	\$199,010	\$528,959	\$727,969

See accompanying notes to the basic financial statements

***VILLAGE OF EAST PALESTINE, OHIO***

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## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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.

Park Capital Improvement Fund – This fund is used to account for grants and other sources of income to be used for improvements to Village parks and purchases of park maintenance equipment.

Capital Improvement Fund – This fund is used to account for grants and other sources of income to be used for various capital improvements and purchases.

***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. 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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.

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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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, 2024 but which are not intended to finance 2024 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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 2024.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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" 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, 2024

#### 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:

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$757,611
Increase (Decrease):	
Accrued Revenues at December 31, 2024 received during 2025	(370,820)
Accrued Revenues at December 31, 2023 received during 2024	508,737
Accrued Expenditures at December 31, 2024 paid during 2025	265,969
Accrued Expenditures at December 31, 2023 paid during 2024	(210,312)
2024 Prepays for 2025	(70,053)
2023 Prepays for 2024	41,397
Outstanding Encumbrances	(860,475)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	104,642
Budget Basis	<u>\$166,696</u>

##### 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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, 2024 the Village reported \$37,243 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 2024, 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, 2024, 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, 2024*

#### 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 and 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	25 – 40
Improvements other than Buildings	20
Machinery and Equipment	3 – 20
Infrastructure	50

## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **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
Net Pension/OPEB Liabilities	General Fund, Parks and Recreation Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund
Installment Loans	Capital Replacement Fund, Fire Equipment Fund

##### **L. Compensated Absences**

GASB Statement No. 101, “*Compensated Absences*”, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB Statement No. 101 establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. In addition, certain salary related payments that are directly and incrementally associated with the payments for leave should be included in the measurement of the liability. Accrued vacation and sick leave are accumulated to Village employees at varying amounts and are attributable to services already rendered. At the time of the employee’s termination, such accruals are paid to the employee at varying rates from the fund to which the employee’s payroll is charged.

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.” In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

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

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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/asset, 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **R. 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.

##### **S. Extraordinary Item**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence.

On February 3, 2023, a Norfolk Southern Train containing hazardous materials derailed in the Village. In 2023 the Village received reimbursements and donations from Norfolk Southern to offset outlays for police and fire response, administrative costs, and replacement of capital assets.

In 2024 the Village received an additional \$2,007,305 in reimbursements and donations to cover ongoing costs directly attributable to the derailment, which includes downtown revitalization, economic development, and legal costs. These outlays and reimbursements are reflected in the financial statements as an extraordinary item in the net amount of \$405,325.

## **VILLAGE OF EAST PALESTINE, OHIO**

### ***Notes to the Basic Financial Statements*** ***For the Year Ended December 31, 2024***

#### **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	Park Capital Improvement Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$70,053	\$0	\$0	\$828	\$70,881
Supplies Inventory	0	0	0	6,972	6,972
Total Nonspendable	<u>70,053</u>	<u>0</u>	<u>0</u>	<u>7,800</u>	<u>77,853</u>
Restricted:					
Fire Capital Improvements	0	0	0	241,331	241,331
Police Capital Improvements	0	0	0	39,703	39,703
Fire Department Operations	0	0	0	67,658	67,658
Street Capital Improvements	0	0	0	359,003	359,003
Park Capital Improvements	0	7,300	0	5,636	12,936
Community Development and Improvement	0	0	0	192,605	192,605
Street Maintenance and Repair	0	0	0	236,242	236,242
EMS Training	0	0	0	40	40
Parks and Recreation	0	0	0	33,829	33,829
Cemetery Maintenance	0	0	0	40,044	40,044
Law Enforcement	0	0	0	53,316	53,316
Opioid Programs	0	0	0	7,396	7,396
Total Restricted	<u>0</u>	<u>7,300</u>	<u>0</u>	<u>1,276,803</u>	<u>1,284,103</u>
Committed:					
Community Development and Improvement	59,315	0	0	0	59,315
Police Department Operations	0	0	0	220,660	220,660
Fire Department Operations	0	0	0	427,961	427,961
Capital Improvements	0	0	139,598	0	139,598
Total Committed	<u>59,315</u>	<u>0</u>	<u>139,598</u>	<u>648,621</u>	<u>847,534</u>
Assigned:					
Services and Supplies	678,777	0	0	0	678,777
Compensated Absences	74,992	0	0	0	74,992
Budget Resource	455,852	0	0	0	455,852
Total Assigned	<u>1,209,621</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,209,621</u>
Unassigned (Deficits):	<u>1,821,091</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,821,091</u>
Total Fund Balances	<u><u>\$3,160,080</u></u>	<u><u>\$7,300</u></u>	<u><u>\$139,598</u></u>	<u><u>\$1,933,224</u></u>	<u><u>\$5,240,202</u></u>

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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, 2024

#### 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, 2024, the carrying amount of the Village's deposits was \$7,876,404 and the bank balance was \$7,980,120. Of the bank balance, \$1,287,243 was covered by federal depository insurance and \$6,692,877 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

Investment earnings of \$179,690 earned by other funds were credited to the General Fund as required by state statute.

##### B. Investments

The Village's investments at December 31, 2024 are summarized below:

	Fair Value <sup>2</sup>	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$86,055	AAAm <sup>1</sup>	\$86,055	\$0	\$0
Total Investments	\$86,055		\$86,055	\$0	\$0

<sup>1</sup> Standard & Poor's

<sup>2</sup> 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

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### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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#### 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.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$7,925,216	\$37,243
Certificates of Deposit (with maturities of more than 3 months)	37,243	(37,243)
Investments:		
STAR Ohio	(86,055)	86,055
Per GASB Statement No. 3	<u>\$7,876,404</u>	<u>\$86,055</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 2024 were levied after October 1, 2023 on assessed values as of January 1, 2023, 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 2022. 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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, 2024 was \$13.90 per \$1,000 of assessed value. The assessed value upon which the 2024 tax levy was based was \$81,298,680. This amount constitutes \$74,327,570 in real property assessed value and \$6,971,110 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, 2024 consisted of taxes, accounts, and intergovernmental receivables.

## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2024:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$16,354	\$194,472
Capital Improvement Fund	180,472	0
Other Governmental Funds	<u>14,000</u>	<u>6,354</u>
Total Governmental Funds	210,826	200,826
Proprietary Funds:		
Water Fund	0	5,000
Wastewater Fund	<u>0</u>	<u>5,000</u>
Total Proprietary Funds	<u>0</u>	<u>10,000</u>
Totals	<u>\$210,826</u>	<u>\$210,826</u>

In 2024 the Street Construction, Maintenance, and Repair Fund, Water Fund, and Wastewater Fund transferred \$6,354, \$5,000 and \$5,000, respectively, to the General Fund for payment of accrued sick and vacation time of retiring employees. In addition, the General Fund transferred \$180,472 to the Capital Improvement Fund for capital purchases and \$14,000 to Other Governmental Funds to assist with cash flow.

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## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

#### NOTE 7 - CAPITAL ASSETS

##### **A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2024:

##### ***Historical Cost:***

Class	December 31, 2023	Additions	Deletions	December 31, 2024
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$295,074	\$185,200	\$0	\$480,274
Construction in Progress	590,744	3,978,666	(28,534)	4,540,876
Subtotal	885,818	4,163,866	(28,534)	5,021,150
<b><i>Capital assets being depreciated:</i></b>				
Buildings	819,348	0	0	819,348
Improvements Other than Buildings	321,241	0	0	321,241
Machinery and Equipment	6,993,758	664,568	(171,727)	7,486,599
Infrastructure	9,486,099	211,634	0	9,697,733
Subtotal	17,620,446	876,202	(171,727)	18,324,921
Total Cost	<u>\$18,506,264</u>	<u>\$5,040,068</u>	<u>(\$200,261)</u>	<u>\$23,346,071</u>
<b><i>Accumulated Depreciation:</i></b>				
Class	December 31, 2023	Additions	Deletions	December 31, 2024
Buildings	(\$497,443)	(\$15,756)	\$0	(\$513,199)
Improvements Other than Buildings	(183,543)	(11,061)	0	(194,604)
Machinery and Equipment	(2,301,630)	(478,626)	134,612	(2,645,644)
Infrastructure	(3,530,014)	(393,900)	0	(3,923,914)
Total Depreciation	<u>(\$6,512,630)</u>	<u>(\$899,343) *</u>	<u>\$134,612</u>	<u>(\$7,277,361)</u>
<b><i>Net Value:</i></b>	<u>\$11,993,634</u>			<u>\$16,068,710</u>

\*Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$401,284
Leisure Time Activities	32,805
Transportation	461,788
General Government	3,466
Total Depreciation Expense	<u>\$899,343</u>



# VILLAGE OF EAST PALESTINE, OHIO

## *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

### NOTE 7 - CAPITAL ASSETS (Continued)

#### **B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2024:

#### *Historical Cost:*

Class	December 31, 2023	Additions	Deletions	December 31, 2024
<i>Capital assets not being depreciated:</i>				
Land	\$186,511	\$0	\$0	\$186,511
Construction in Progress	4,835,328	4,422,567	(8,724,983)	532,912
Subtotal	5,021,839	4,422,567	(8,724,983)	719,423
<i>Capital assets being depreciated:</i>				
Buildings	5,123,439	4,181,073	0	9,304,512
Improvements Other than Buildings	7,616,895	0	0	7,616,895
Machinery and Equipment	1,987,714	135,160	0	2,122,874
Infrastructure	13,646,170	4,468,910	0	18,115,080
Subtotal	28,374,218	8,785,143	0	37,159,361
Total Cost	<u>\$33,396,057</u>	<u>\$13,207,710</u>	<u>(\$8,724,983)</u>	<u>\$37,878,784</u>

#### *Accumulated Depreciation:*

Class	December 31, 2023	Additions	Deletions	December 31, 2024
Buildings	(\$1,842,097)	(\$149,344)	\$0	(\$1,991,441)
Improvements Other than Buildings	(610,164)	(149,970)	0	(760,134)
Machinery and Equipment	(1,576,919)	(78,306)	0	(1,655,225)
Infrastructure	(6,258,720)	(300,149)	0	(6,558,869)
Total Depreciation	<u>(\$10,287,900)</u>	<u>(\$677,769)</u>	<u>\$0</u>	<u>(\$10,965,669)</u>
<i>Net Value:</i>	<u>\$23,108,157</u>			<u>\$26,913,115</u>

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## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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#### 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 *accrued wages and benefits 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 is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed.

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### 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 Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

Traditional plan state and local members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement. Law enforcement and public safety members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

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

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

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

	<u>State and Local</u>
<b>2024 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2024 Actual Contribution Rates</b>	
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 \$222,571 for 2024. Of this amount, \$15,774 is reported as accrued wages.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **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](http://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 Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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

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

## **VILLAGE OF EAST PALESTINE, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>Police</u>	<u>Firefighters</u>
<b>2024 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25
<b>2024 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$152,770 for 2024. Of this amount, \$12,226 is reported as accrued wages.

#### ***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, 2023, 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, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. 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:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,207,794	\$2,153,871	\$4,361,665
Proportion of the Net Pension Liability-2024	0.008433%	0.022294%	
Proportion of the Net Pension Liability-2023	<u>0.007900%</u>	<u>0.018194%</u>	
Percentage Change	<u>0.000533%</u>	<u>0.004100%</u>	
Pension Expense	\$291,251	\$300,643	\$591,894

## **VILLAGE OF EAST PALESTINE, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Changes in assumptions	\$0	\$136,123	\$136,123
Differences between expected and actual experience	36,085	69,144	105,229
Net difference between projected and actual earnings on pension plan investments	445,625	244,080	689,705
Change in proportionate share	63,012	368,608	431,620
Village contributions subsequent to the measurement date	<u>222,571</u>	<u>152,770</u>	<u>375,341</u>
Total Deferred Outflows of Resources	<u><u>\$767,293</u></u>	<u><u>\$970,725</u></u>	<u><u>\$1,738,018</u></u>
<b>Deferred Inflows of Resources</b>			
Changes in assumptions	\$0	\$32,709	\$32,709
Differences between expected and actual experience	0	24,088	24,088
Change in proportionate share	<u>0</u>	<u>18,756</u>	<u>18,756</u>
Total Deferred Inflows of Resources	<u><u>\$0</u></u>	<u><u>\$75,553</u></u>	<u><u>\$75,553</u></u>

\$375,341 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2025	\$154,020	\$185,592	\$339,612
2026	169,786	195,573	365,359
2027	284,372	245,541	529,913
2028	(63,456)	52,995	(10,461)
2029	0	60,874	60,874
2030	<u>0</u>	<u>1,827</u>	<u>1,827</u>
Total	<u><u>\$544,722</u></u>	<u><u>\$742,402</u></u>	<u><u>\$1,287,124</u></u>

#### ***Actuarial Assumptions - OPERS***

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

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The total pension liability in the December 31, 2023 and December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2023
Wage Inflation	2.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	2.75 to 10.75 percent including wage inflation
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	2.3 percent, simple through 2024, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2022
Wage Inflation	2.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3.0 percent simple
Investment Rate of Return	3 percent simple through 2023. 2.05 percent simple, thereafter
Actuarial Cost Method	6.9 percent
	Individual Entry Age

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

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

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



## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 6.9 percent. The discount rate for the prior year was 6.9 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 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Village's proportionate share of the net pension liability	\$3,475,661	\$2,207,794	\$1,153,297

## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements For the Year Ended December 31, 2024*

#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

##### ***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2023 is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total 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, 2023, compared with January 1, 2022, are presented below.

	January 1, 2023	January 1, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.25 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	2.2 percent simple

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

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

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

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

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Note: Assumptions are geometric.

\* levered 2.0x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective 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

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### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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#### NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

**Discount Rate** For 2023, the total pension liability was calculated using the discount rate of 7.50 percent. The discount rate used for 2022 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the 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 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Village's proportionate share of the net pension liability	\$2,852,960	\$2,153,871	\$1,572,507

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## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS**

##### ***Net OPEB Liability (Asset)***

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 (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

##### ***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.

## VILLAGE OF EAST PALESTINE, OHIO

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2024*

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#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

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

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

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

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

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

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$0 for 2024.



## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

##### ***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.

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

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

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

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

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

## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2024, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The Village's contractually required contribution to OP&F was \$3,938 for 2024. Of this amount, \$315 is reported as accrued wages.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The 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:

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability (Asset)	(\$70,950)	\$162,772	
Proportion of the Net OPEB Liability (Asset) -2024	0.007862%	0.022294%	
Proportion of the Net OPEB Liability (Asset) -2023	0.007358%	0.018194%	
Percentage Change	0.000504%	0.004100%	
OPEB Expense	(\$15,478)	\$9,663	(\$5,815)

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## **VILLAGE OF EAST PALESTINE, OHIO**

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)**

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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Changes in assumptions	\$18,268	\$56,010	\$74,278
Differences between expected and actual experience	0	7,829	7,829
Net difference between projected and actual earnings on OPEB plan investments	42,614	12,020	54,634
Change in proportionate share	0	35,223	35,223
Village contributions subsequent to the measurement date	0	3,938	3,938
Total Deferred Outflows of Resources	<u>\$60,882</u>	<u>\$115,020</u>	<u>\$175,902</u>
<b>Deferred Inflows of Resources</b>			
Changes in assumptions	\$30,498	\$104,821	\$135,319
Differences between expected and actual experience	10,098	29,915	40,013
Change in proportionate share	0	2,168	2,168
Total Deferred Inflows of Resources	<u>\$40,596</u>	<u>\$136,904</u>	<u>\$177,500</u>

\$3,938 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 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2025	(\$1,803)	\$708	(\$1,095)
2026	3,301	(2,399)	902
2027	33,170	683	33,853
2028	(14,382)	(8,976)	(23,358)
2029	0	(9,834)	(9,834)
2030	0	(11,748)	(11,748)
2031	0	4,123	4,123
2032	0	1,621	1,621
Total	<u>\$20,286</u>	<u>(\$25,822)</u>	<u>(\$5,536)</u>

## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

#### 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, 2022, rolled forward to the measurement date of December 31, 2023. 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	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	5.70 percent
Prior measurement date	5.22 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.77 percent
Prior measurement date	4.05 percent
Health Care Cost Trend Rate:	
Current measurement date	5.5 percent initial, 3.5 percent ultimate in 2038
Prior measurement date	5.5 percent initial, 3.5 percent ultimate in 2036
Actuarial Cost Method	Individual Entry Age Normal

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

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

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

**Discount Rate** A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent (Fidelity Index's "20-Year Municipal GO AA Index").

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### 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 the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the 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 5.70 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 (4.70 percent) or one-percentage-point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Village's proportionate share of the net OPEB liability (asset)	\$38,996	(\$70,950)	(\$162,036)

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

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Village's proportionate share of the net OPEB liability (asset)	(\$73,903)	(\$70,950)	(\$67,613)

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

##### *Actuarial Assumptions – OP&F*

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing 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.

Actuarial Cost Method	January 1, 2023	January 1, 2022
	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent	3.25 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	4.07 percent	4.27 percent
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple
Projected Depletion Year of OPEB Assets	2038	2036

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

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

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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 average 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized below:

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

Note: Assumptions are geometric.

\* levered 2.0x



## VILLAGE OF EAST PALESTINE, OHIO

### *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

#### NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
Village's proportionate share of the net OPEB liability	\$200,490	\$162,772	\$131,006

**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.

## VILLAGE OF EAST PALESTINE, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2024

#### NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the Village at December 31, 2024 were as follows:

				Restated Balance December 31, 2023	Additions	Deductions	Balance December 31, 2024	Amount Due Within One Year
<b>Governmental Activities Debt:</b>								
Ohio Public Works Commission Loan:								
Bridge Replacement	0.00%	2029		\$48,000	\$0	(\$8,000)	\$40,000	\$8,000
General Obligation Bonds:								
Various Purpose	4.75%	2033		240,000	0	(20,000)	220,000	20,000
<b>Governmental Activities Other Long-Term Obligations:</b>								
Installment Loans:								
Fire Truck	3.83%	2029		490,670	0	(74,283)	416,387	77,131
Total Installment Loans				490,670	0	(74,283)	416,387	77,131
Compensated Absences Payable				288,620	0	(18,700)	269,920	69,789
Total Governmental Activities				<u>\$1,067,290</u>	<u>\$0</u>	<u>(\$120,983)</u>	<u>\$946,307</u>	<u>\$174,920</u>

The various purpose general obligation bonds are direct placement debt. The Ohio Public Works Commission Loans and Installment loans are direct borrowings.

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# VILLAGE OF EAST PALESTINE, OHIO

## *Notes to the Basic Financial Statements* *For the Year Ended December 31, 2024*

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

			Restated Balance December 31, 2023	Additions	Deductions	Balance December 31, 2024	Amount Due Within One Year
<b>Business-Type Activities Debt:</b>							
Revenue Bonds:							
Sewer System Refunding Bonds	1.375%	2060	\$7,801,000	\$0	(\$165,000)	\$7,636,000	\$165,000
Ohio Public Works Commission Loans:							
Phase Five Sanitary Sewer	0.00%	2025	67,375	0	(26,950)	40,425	26,950
Brookdale Water	0.00%	2039	56,522	0	(3,534)	52,988	3,534
Brookdale Sewer	0.00%	2039	131,913	0	(8,244)	123,669	8,244
Water Storage Facility	0.00%	2033	130,200	0	(12,400)	117,800	12,400
Total OPWC Loans:			386,010	0	(51,128)	334,882	51,128
Ohio Water Development Authority Loans:							
Wastewater Treatment Plant	1.00%	2025	259,031	0	(128,869)	130,162	130,162
Waterline Extension	3.95%	2038	57,338	0	(2,866)	54,472	2,981
Sewer Line Extension	3.95%	2038	38,122	0	(1,906)	36,216	1,981
WWTP Phosphorous Reduction	1.00%	2030	17,369	0	(2,600)	14,769	2,625
Water Booster Station	4.14%	2032	145,450	0	(14,602)	130,848	15,212
Moore Lane	2.00%	2042	190,216	0	(8,320)	181,896	8,488
Wheathill Reservoir	1.94%	2044	268,731	0	(10,790)	257,941	10,999
Water Pump House Expansion	1.68%	2039	1,146,519	0	(63,020)	1,083,499	64,084
Waterline Replacement	0.00%	2055	765,843	726,302	0	1,492,145	0
Total OWDA Loans:			2,888,619	726,302	(232,973)	3,381,948	236,532
<b>Business-Type Activities Other Long-Term Obligations:</b>							
Compensated Absences			123,940	0	(21,917)	102,023	33,861
Total Business-Type Activities			<u>\$11,199,569</u>	<u>\$726,302</u>	<u>(\$471,018)</u>	<u>\$11,454,853</u>	<u>\$486,521</u>

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## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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

*Installment Loan* - In 2022 the Village obtained financing in the amount of \$562,210 for the purchase of a fire truck. The loan carries an interest rate of 3.83% and matures in 2029.

*OWDA Loan* - In 2022, 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, 2024, the Village received \$1,492,145. As of December 31, 2024, 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 \$827,000 at December 31, 2024, 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, 2024***

#### **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, 2024 follows:

Years	<b>Governmental Activities</b>					
	<b>OPWC Loan</b>		<b>General Obligation Bonds</b>		<b>Installment Loan</b>	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$8,000	\$0	\$20,000	\$10,450	\$77,131	\$15,966
2026	8,000	0	20,000	9,500	80,089	13,009
2027	8,000	0	25,000	8,550	83,160	9,938
2028	8,000	0	25,000	7,362	86,348	6,749
2029	8,000	0	25,000	6,176	89,659	3,437
2030-2033	0	0	105,000	12,826	0	0
Totals	<u>\$40,000</u>	<u>\$0</u>	<u>\$220,000</u>	<u>\$54,864</u>	<u>\$416,387</u>	<u>\$49,099</u>

Years	<b>Business-Type Activities</b>					
	<b>Revenue Bonds</b>		<b>OWDA Loans</b>		<b>OPWC Loans</b>	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$165,000	\$104,995	\$236,532	\$36,216	\$51,128	\$0
2026	170,000	102,726	108,695	32,935	37,653	0
2027	170,000	100,389	111,083	30,572	24,178	0
2028	175,000	98,052	113,533	28,141	24,178	0
2029	175,000	95,645	116,048	25,654	24,178	0
2030-2034	910,000	441,652	554,309	90,895	114,690	0
2035-2039	980,000	377,025	546,180	38,058	58,877	0
2040-2044	1,045,000	307,863	103,423	4,599	0	0
2045-2049	1,120,000	233,958	0	0	0	0
2050-2054	1,190,000	155,170	0	0	0	0
2055-2059	1,275,000	70,951	0	0	0	0
2060	261,000	3,589	0	0	0	0
Totals	<u>\$7,636,000</u>	<u>\$2,092,015</u>	<u>\$1,889,803</u>	<u>\$287,070</u>	<u>\$334,882</u>	<u>\$0</u>

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## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 11 - 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 (the latest information available):

##### 2023

Cash and investments	\$43,996,442
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Actuarial liabilities	\$19,743,401
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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.

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## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 12 - SIGNIFICANT COMMITMENTS**

The Village had the following contractual commitments at December 31, 2024:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Waterline Replacement Project	\$225,610	2025
Emergency Water Design	311,113	2025
One Time Strategic Safety Complex	994,600	2026
Train Depot Renovation	100,000	2025
Economic Development	278,203	2027
Public Relations/Legal Consulting	465,516	2025
	<u><u>\$2,375,042</u></u>	

At December 31, 2024 the Village had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$860,475
Capital Improvement Fund	994,600
Other Governmental Funds	63,221
Total Governmental Funds	<u><u>\$1,918,296</u></u>

#### **NOTE 13 – 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

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#### **NOTE 13 – TAX ABATEMENTS (Continued)**

Below is the information relevant to the disclosure of this program for the year ending December 31, 2024.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2024</u>
<i>Community Reinvestment Area (CRA)</i>	
Nursing Homes/Residential	\$44,287
	<u>\$44,287</u>

#### **NOTE 14 - 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.

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## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2024***

#### **NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For 2024 the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 100, “Accounting Changes and Error Corrections” and Statement No. 101, “Compensated Absences.”

GASB Statement No. 100 addresses accounting and financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences.

The implementation of GASB Statement 101 had the following effect on net position as reported December 31, 2023:

	Governmental Activities	Business-Type Activities	Water Fund	Wastewater Fund
Net Position at December 31, 2023, as Reported	\$14,036,106	\$15,628,104	\$8,337,822	\$7,290,282
Adjustments:				
Increase in Compensated Absences	(133,961)	(38,172)	(11,089)	(27,083)
Net Position at December 31, 2023, as Restated	<u>\$13,902,145</u>	<u>\$15,589,932</u>	<u>\$8,326,733</u>	<u>\$7,263,199</u>

#### **NOTE 16 – SUBSEQUENT EVENTS**

On January 27, 2025, a settlement agreement was executed between the Village and Norfolk Southern Corporation and Norfolk Southern Railway Corporation. As part of the settlement, Norfolk Southern agreed to: (a) pay \$22,000,000 to East Palestine; fund the East Palestine Park revitalization project in an amount not to exceed \$25,000,000; (b) transfer the train depot property located at 58 West Taggart Street to East Palestine or its designee; and (c) transfer 15.1 acres of real property located at 183 Edgeworth Avenue to the Village or its designee. The settlement also recognized the \$13,500,000 in prior payments made by Norfolk Southern to the Village.

On September 8, 2025 the Village approved a \$500,000 interest free loan to the East Palestine Community Improvement Corporation for the advancement of economic development projects in the Village.

***VILLAGE OF EAST PALESTINE, OHIO***

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*VILLAGE OF EAST PALESTINE, OHIO*

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*REQUIRED SUPPLEMENTARY INFORMATION*

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**VILLAGE OF EAST PALESTINE, OHIO**

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

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**Ohio Public Employees Retirement System**

Fiscal Year	2015	2016	2017	2018
Village's proportion of the net pension liability (asset)	0.008241%	0.008037%	0.008202%	0.008044%
Village's proportionate share of the net pension liability (asset)	\$993,958	\$1,392,184	\$1,862,596	\$1,261,924
Village's covered payroll	\$995,042	\$981,975	\$992,225	\$1,048,708
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	99.89%	141.77%	187.72%	120.33%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	81.08%	77.25%	84.66%

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

**Ohio Police and Fire Pension Fund**

Fiscal Year	2015	2016	2017	2018
Village's proportion of the net pension liability (asset)	0.016896%	0.015934%	0.017213%	0.016787%
Village's proportionate share of the net pension liability (asset)	\$875,263	\$1,025,052	\$1,090,242	\$1,030,266
Village's covered payroll	\$353,944	\$359,597	\$383,269	\$393,849
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	247.29%	285.06%	284.46%	261.59%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	66.77%	68.36%	70.91%

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

Notes: 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

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***VILLAGE OF EAST PALESTINE, OHIO***

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<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.008206%	0.007652%	0.007717%	0.007904%	0.007900%	0.008433%
\$2,247,458	\$1,512,470	\$1,142,721	\$687,681	\$2,333,664	\$2,207,794
\$1,112,057	\$1,076,679	\$1,086,900	\$1,147,093	\$1,223,357	\$1,389,336
202.10%	140.48%	105.14%	59.95%	190.76%	158.91%
74.70%	82.17%	86.88%	92.62%	75.74%	79.01%
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.016551%	0.015923%	0.015717%	0.017244%	0.018194%	0.022294%
\$1,351,000	\$1,072,647	\$1,071,430	\$1,077,326	\$1,728,284	\$2,153,871
\$404,301	\$406,029	\$413,907	\$477,248	\$538,168	\$690,905
334.16%	264.18%	258.86%	225.74%	321.14%	311.75%
63.07%	69.89%	70.65%	75.03%	62.90%	63.63%

## ***VILLAGE OF EAST PALESTINE, OHIO***

### ***Schedule of Village's Pension Contributions Last Ten Years***

#### **Ohio Public Employees Retirement System**

Fiscal Year	2015	2016	2017	2018
Contractually required contribution	\$117,837	\$119,067	\$136,332	\$155,688
Contributions in relation to the contractually required contribution	117,837	119,067	136,332	155,688
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Village's covered payroll	\$981,975	\$992,225	\$1,048,708	\$1,112,057
Contributions as a percentage of covered payroll	12.00%	12.00%	13.00%	14.00%

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

#### **Ohio Police and Fire Pension Fund**

Fiscal Year	2015	2016	2017	2018
Contractually required contribution	\$70,611	\$75,248	\$77,294	\$79,397
Contributions in relation to the contractually required contribution	70,611	75,248	77,294	79,397
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Village's covered payroll	\$359,597	\$383,269	\$393,849	\$404,301
Contributions as a percentage of covered payroll	19.64%	19.63%	19.63%	19.64%

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

See notes to the required supplementary information

***VILLAGE OF EAST PALESTINE, OHIO***

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<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$150,735	\$152,166	\$160,593	\$171,270	\$194,507	\$222,571
<u>150,735</u>	<u>152,166</u>	<u>160,593</u>	<u>171,270</u>	<u>194,507</u>	<u>222,571</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,076,679	\$1,086,900	\$1,147,093	\$1,223,357	\$1,389,336	\$1,589,793
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$79,735	\$81,322	\$92,872	\$104,536	\$134,928	\$152,770
<u>79,735</u>	<u>81,322</u>	<u>92,872</u>	<u>104,536</u>	<u>134,928</u>	<u>152,770</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$406,029	\$413,907	\$477,248	\$538,168	\$690,905	\$787,521
19.64%	19.65%	19.46%	19.42%	19.53%	19.40%

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**VILLAGE OF EAST PALESTINE, OHIO**

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

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**Ohio Public Employees Retirement System**

Year	2017	2018	2019
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	2017	2018	2019
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***

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<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.007127%	0.007187%	0.007356%	0.007358%	0.007862%
\$984,426	(\$128,040)	(\$230,397)	\$46,399	(\$70,950)
\$1,076,679	\$1,086,900	\$1,147,093	\$1,223,357	\$1,389,336
91.43%	(11.78%)	(20.09%)	3.79%	(5.11%)
47.80%	115.57%	128.23%	94.79%	107.76%
<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.015923%	0.015717%	0.017244%	0.018194%	0.022294%
\$157,281	\$166,522	\$189,013	\$129,538	\$162,772
\$406,029	\$413,907	\$477,248	\$538,168	\$690,905
38.74%	40.23%	39.60%	24.07%	23.56%
47.08%	45.42%	46.86%	52.59%	51.89%

## ***VILLAGE OF EAST PALESTINE, OHIO***

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

#### **Ohio Public Employees Retirement System**

Year	2015	2016	2017	2018
Contractually required contribution	\$19,640	\$19,845	\$10,488	\$0
Contributions in relation to the contractually required contribution	19,640	19,845	10,488	0
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Village's covered payroll	\$981,975	\$992,225	\$1,048,708	\$1,112,057
Contributions as a percentage of covered payroll	2.00%	2.00%	1.00%	0.00%

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

#### **Ohio Police and Fire Pension Fund**

Year	2015	2016	2017	2018
Contractually required contribution	\$1,798	\$1,916	\$1,970	\$2,022
Contributions in relation to the contractually required contribution	1,798	1,916	1,970	2,022
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Village's covered payroll	\$359,597	\$383,269	\$393,849	\$404,301
Contributions as a percentage of covered payroll	0.50%	0.50%	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.

See notes to the required supplementary information

***VILLAGE OF EAST PALESTINE, OHIO***

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<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$0	\$0	\$0	\$0	\$0	\$0
<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>	<u>\$0</u>	<u>\$0</u>
\$1,076,679	\$1,086,900	\$1,147,093	\$1,223,357	\$1,389,336	\$1,589,793
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$2,030	\$2,070	\$2,386	\$2,691	\$3,455	\$3,938
<u>2,030</u>	<u>2,070</u>	<u>2,386</u>	<u>2,691</u>	<u>3,455</u>	<u>3,938</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$406,029	\$413,907	\$477,248	\$538,168	\$690,905	\$787,521
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2024***

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#### **NET PENSION LIABILITY**

##### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

*Changes in benefit terms:* There were no changes in benefit terms for the period 2015-2024.

*Changes in assumptions:*

2015-2016: 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.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 0.5% to 3.00% for post 1/7/13 retirees.
- Reduction in actuarial assumed rate of return from 7.20% to 6.90%.
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023-2024: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2024***

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#### **NET PENSION LIABILITY** (Continued)

##### **OHIO POLICE AND FIRE (OP&F) PENSION FUND**

*Changes in benefit terms:* There were no changes in benefit terms for the period 2015-2024.

*Changes in assumptions:*

2015-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: 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 8.25% 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.

2022: 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%

2023: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

2024: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2024***

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#### **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, and 2023-2024.

2022: Group plans for non-Medicare retirees and re-employed retirees replaced with individual medical plans. OPERS will provide a subsidy or allowance via an HRA.

*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%

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2024***

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

##### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)** (Continued)

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The Municipal Bond Rate changed from 1.84% to 4.05%
- The single discount rate changed from 6.00% to 5.22%.

2024: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The Municipal Bond Rate changed from 4.05% to 3.77%
- The single discount rate changed from 5.22% to 5.70%.

##### **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 - 2024: There were no changes in benefit terms.

###### *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%.
- The payroll growth rate changed from 2.75% to 3.25%.

2022: 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 2.96% to 2.84%.
- The investment rate of return changed from 8.0% to 7.5%.

## ***VILLAGE OF EAST PALESTINE, OHIO***

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### ***Notes to the Required Supplementary Information For the Year Ended December 31, 2024***

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#### **NET OPEB LIABILITY (ASSET)** (Continued)

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

2023: 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 2.84% to 4.27%.
- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

2024: 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 4.27% to 4.07%.

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**VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b>Direct Program</b>			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	<u>\$465,269</u>
<b>Passed Through Columbiana County</b>			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	<u>50,000</u>
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>			<u><b>515,269</b></u>
<b>U.S. APPALACHIAN REGIONAL COMMISSION</b>			
<b>Passed Through United States Treasury</b>			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.001	N/A	<u>300,000</u>
<b>TOTAL U.S. APPALACHIAN REGIONAL COMMISSION</b>			<u><b>300,000</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Passed Through Ohio Office of Criminal Justice Services</b>			
Justice Assistance Grant	16.738	N/A	<u>22,399</u>
<b>TOTAL U.S. APPALACHIAN REGIONAL COMMISSION</b>			<u><b>22,399</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><u><b>\$837,668</b></u></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, 2024**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Village of East Palestine (the Village) under programs of the federal government for the year ended December 2024. 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 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, 2024 consist of:

<b>AL Number</b>	<b>Program/Cluster Name</b>	<b>Outstanding Balance at December 31, 2024</b>
10.760	Water & Waste Disposal System for Rural Communities	\$7,636,000

**NOTE F - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS WITH REVOLVING LOAN CASH BALANCE**

The current cash balance on the Village local program income account as of December 31, 2024, is \$192,604.63. This balance is from previous loans/grants given to residents that have sold their home and had to pay back the balance of the agreement.

**NOTE G - MATCHING REQUIREMENTS**

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

# OHIO AUDITOR OF STATE KEITH FABER

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

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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 16, 2025. We noted the financial impact of the train derailment containing hazardous materials that occurred on February 3, 2023, which was reported as an extraordinary item and 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 purpose 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's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

### ***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*.


### ***Village's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of finding and corrective action plan. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER  
Ohio Auditor of State



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

September 16, 2025



65 East State 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, Columbiana County, (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 on Village of East Palestine's major federal program for the year ended December 31, 2024. 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, 2024.

***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  
Ohio Auditor of State



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

September 16, 2025

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**VILLAGE OF EAST PALESTINE  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2024**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	AL# 21.027 – Coronavirus State and Local Fiscal Recovery Funds
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2024-001**

**Financial Reporting**

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2024-001 (Continued)**

The following errors were identified, and the basic financial statements have been adjusted to reflect these items:

- Other revenue was overstated by \$50,000 and intergovernmental revenue was understated by \$50,000 in the Capital Improvement fund due to improperly posting a State and Local Fiscal Recovery Fund grant receipt.
- The Village did not include a disclosure in the notes to the financial statement regarding the \$22,000,000 payment, \$25,000,000 park revitalization commitment, or the transfer of the train depot property from Norfolk Southern as part of the settlement agreement from the 2023 train derailment as a subsequent event.

The following errors were identified below; however, they were not considered significant, and the basic financial statements have not been adjusted for these errors:

- Income Tax Receivable was overstated in the General Fund by \$6,370 and understated in the Police Fund by \$3,185 and Fire Fund by \$3,185. Related Deferred Inflows and Income Tax Revenue were also understated in the General Fund by \$5,701 and \$669, respectively and overstated in the Police Fund by \$2,517 and \$668, respectively and Fire Fund by \$2,517 and \$668 respectively due to errors in calculating the allocation of income taxes.
- Contributions and Donations revenue and Capital Outlay Expenditures were overstated by \$195,856, Accounts Receivable were understated by \$14,905, and Accounts Payable were understated in \$14,905 in the Park Capital Improvement Fund due to recording of revenue and expenditures received and paid on behalf of the Village in other fiscal years for the park project.
- Accounts Receivable were understated in the Water fund by \$2,635 and in the Wastewater fund by \$6,149 due to a miscalculation of receivable amounts.
- Additions to Construction In Progress and the completed Waterline Replacement Project were understated by \$21,824 in the Water Fund
- Deferred Outflows - Pension were overstated by \$5,874 in the Water fund.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

**Officials' Response:** See Corrective Action Plan

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None



**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**DECEMBER 31, 2024**

**Finding Number:** 2024-001

**Planned Corrective Action:** We have received the noted items and are currently addressing the necessary corrections. In addition, we are consulting with our GAAP conversion specialist to clarify the issues and ensure alignment prior to submission in the Hinkle system. Moving forward, we will implement a more thorough review process to identify and resolve any potential errors proactively.

**Anticipated Completion Date:** Continuous Process to be revisited yearly

**Responsible Contact Person:** Melissa Hiner, Finance Director

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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 10/14/2025**

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

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