



VILLAGE OF ZALESKI, VINTON COUNTY

Regular Audit

**For the Year Ended
December 31, 2006**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Members of Council
Village of Zaleski
P.O. Box 176
Zaleski, Ohio 45698

We have reviewed the *Independent Auditor's Report* of the Village of Zaleski, Vinton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 13, 2007

This Page is Intentionally Left Blank.

VILLAGE OF ZALESKI, VINTON COUNTY
Table of Contents
For the Year Ended December 31, 2006

Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets - Cash Basis	10
Statement of Activities - Cash Basis	11
<u>Fund Financial Statements:</u>	
Statement of Cash Basis Assets and Fund Balances- Governmental Funds	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) General and M&R Funds	16
State Highway and Street Repair Funds	17
Street Light Levy, Fire Contracts and Fire Levy Funds	18
Statement of Fund Net Assets - Cash Basis - Proprietary Funds	19
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets-Cash Basis - Proprietary Funds	20
Notes to the Basic Financial Statements	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	30
Schedule of Findings	32
Schedule of Prior Audit Findings	33
Corrective Action Plan	34

This Page is Intentionally Left Blank.

Independent Auditor's Report

Members of Council
Village of Zaleski, Vinton County
PO Box 176
Zaleski, Ohio 45698

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Zaleski, Vinton County as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2006, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with the cash basis of accounting presented in Note 2.

As described in Note 10 for the year ended December 31, 2006, the Village implemented GASB Statement No. 46., *Net Assets Restricted by Enabling Legislation*.

Members of Council
Village of Zaleski, Vinton County
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued a report dated July 10, 2007 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 grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

July 10, 2007

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of Village of Zaleski's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$12,720 and net assets of business-type activities decreased \$987 in 2006.

In the governmental funds, the fund most affected by the increase in cash and cash equivalents in 2006 was the M&R Fund, which realized the greatest increase of revenue in 2006.

The Village's general receipts are primarily property taxes. These receipts represent 44 percent of the total cash received for governmental activities during 2006.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The government-wide financial statements consist of the statement of net assets and the statement of activities which provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets-cash basis and the statement of activities-cash basis reflect how the Village did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets-cash basis presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities-cash basis compares cash disbursements with program receipts for each program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activity:

Governmental activities - Most of the Village's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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 Fund is reported as a business-type activity.

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds - The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2006, the Village's major governmental funds are the General Fund, M & R Fund, State Highway Fund, Street Repair Fund, Street Light Levy Fund, Fire Contracts Fund and Fire Levy Fund. For 2006, the Village had no non-major governmental funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

	Net Assets					
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$ 106,950</u>	<u>\$ 94,230</u>	<u>\$ 93,502</u>	<u>\$ 94,489</u>	<u>\$ 200,452</u>	<u>\$ 188,719</u>
Net Assets						
Restricted for:						
Other Purposes	100,784	85,011	0	0	100,784	85,011
Unrestricted	<u>6,166</u>	<u>9,219</u>	<u>93,502</u>	<u>94,489</u>	<u>99,668</u>	<u>103,708</u>
Total Net Assets	<u>\$ 106,950</u>	<u>\$ 94,230</u>	<u>\$ 93,502</u>	<u>\$ 94,489</u>	<u>\$ 200,452</u>	<u>\$ 188,719</u>

As mentioned previously, net assets of governmental activities increased \$12,720 and the business-type activities decreased \$987 during 2006. The primary reason contributing to the increases in net assets of governmental activities is from increased property tax collections due to increased property values.

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets for 2006 compared to 2005:

(Table 2)
Change in Net Assets

	Governmental Activities 2006	Business-Type Activities 2006	Governmental Activities 2005	Business-Type Activities 2005
Cash Receipts:				
Program Cash Receipts:				
Charges for Services and Sales	\$ 8,100	\$ 34,017	\$ 8,400	\$ 32,483
Operating Grants and Contributions	24,215	0	27,942	0
Total Program Cash Receipts	32,315	34,017	36,342	32,483
General Cash Receipts:				
Property Taxes	29,368	0	22,765	0
Interest	0	136	0	136
Miscellaneous	4,606	7,697	4,156	9,450
Total General Cash Receipts	33,974	7,833	26,921	9,586
Total Cash Receipts	66,289	41,850	63,263	42,069
Cash Disbursements:				
General Government	24,119	0	19,129	0
Security of Persons and Property	5,592	0	6,881	0
Basic Utility Services	2,616	0	1,642	0
Transportation	21,242	0	9,540	0
Water	0	42,837	0	36,648
Total Cash Disbursements	53,569	42,837	37,192	36,648
Increase (Decrease) in Net Assets	12,720	(987)	26,071	5,421
Net Assets, January 1	94,230	94,489	68,159	89,068
Net Assets, December 31	\$ 106,950	\$ 93,502	\$ 94,230	\$ 94,489

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Program receipts represent 49 percent of total receipts for governmental activities and 81 percent of total receipts in for business-type activities and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money for governmental activities and charges for services for business-type activities.

General receipts represent 51 percent of the Village's governmental activities total receipts and 19 percent of the Village's business-type activities total receipts. Local taxes account for 86 percent of the Village's governmental activities general revenues. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and transportation, which account for 45 and 40 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities		Governmental Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services 2006	Of Services 2006	Of Services 2005	Of Services 2005
General Government	\$ 24,119	\$ 19,187	\$ 19,129	\$ 8,576
Security of Person and Property	5,592	(2,508)	6,881	(1,519)
Basic Utility Services	2,616	2,616	1,642	1,642
Transportation	21,242	1,959	9,540	(7,849)
Total Expenses	\$ 53,569	\$ 21,254	\$ 37,192	\$ 850

	Business-Type Activities		Business-Type Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services 2006	of Services 2006	of Services 2005	of Services 2005
Water	\$ 42,837	\$ 8,820	\$ 36,648	\$ 4,165
Total Expenses	\$ 42,837	\$ 8,820	\$ 36,648	\$ 4,165

Village of Zaleski, Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Village's Funds

Total governmental funds had receipts of \$66,289 and disbursements of \$53,569. The greatest change within governmental funds occurred within the M & R Fund. The fund balance of the M & R Fund increased \$7,087 in 2006 as the result of increased receipts from the State. The General fund and Street Repair showed decreases in fund balances of \$3,053 and \$2,003, while the State Highway, Street Light Levy, Fire Contracts, and Fire Levy funds showed increases in fund balances of \$1,446, \$523, \$2,775, and \$5,945, respectively.

General Fund Budgeting Highlights

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.

During the course of fiscal year 2006 the Village did not amend its General Fund budget. The Village uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2006, General Fund actual receipts were \$19,154. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2006 were \$22,207, \$3,053 over cash receipts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure. Any payments for these type of outlays are recorded as disbursements in the financial statements.

Debt

At December 31, 2006, the Village's outstanding debt totaled \$72,100. For further information regarding the Village's debt, refer to Note 6 to the basic financial statements.

Current Financial Related Activities

As the preceding information shows, the Village heavily depends on its taxpayers. Financially the future is not without challenges so the Village will have to contain costs and maintain strict control over expenditures.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheryl Goble, Clerk/Treasurer, Village of Zaleski, P.O. Box 176, Zaleski, Ohio 45651.

This Page Intentionally
Left Blank

Village of Zaleski, Vinton County

Statement of Net Assets - Cash Basis

December 31, 2006

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$106,950	\$93,502	\$200,452
<i>Total Assets</i>	<u>106,950</u>	<u>93,502</u>	<u>200,452</u>
Net Assets			
Restricted for:			
Maintenance and Repair	41,757	0	41,757
State Highway	12,808	0	12,808
Street Repair	3,063	0	3,063
Street Light Levy	2,359	0	2,359
Fire Contracts	17,267	0	17,267
Fire Levy	23,530	0	23,530
Unrestricted	6,166	93,502	99,668
<i>Total Net Assets</i>	<u>\$106,950</u>	<u>\$93,502</u>	<u>\$200,452</u>

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$24,119	\$0	\$4,932	(\$19,187)	\$0	(\$19,187)
Security of Persons and Property	5,592	8,100	0	2,508	0	2,508
Basic Utility Services	2,616	0	0	(2,616)	0	(2,616)
Transportation	21,242	0	19,283	(1,959)	0	(1,959)
<i>Total Governmental Activities</i>	53,569	8,100	24,215	(21,254)		(21,254)
Business Type Activity						
Water	42,837	34,017	0	0	(8,820)	(8,820)
Total	<u>\$96,406</u>	<u>\$42,117</u>	<u>\$24,215</u>	<u>(21,254)</u>	<u>(8,820)</u>	<u>(30,074)</u>
General Receipts						
Property Taxes Levied for:						
				9,616	0	9,616
				19,752	0	19,752
				0	136	136
				4,606	7,697	12,303
<i>Total General Receipts</i>				<u>33,974</u>	<u>7,833</u>	<u>41,807</u>
Change in Net Assets				12,720	(987)	11,733
<i>Net Assets Beginning of Year</i>				<u>94,230</u>	<u>94,489</u>	<u>188,719</u>
<i>Net Assets End of Year</i>				<u>\$106,950</u>	<u>\$93,502</u>	<u>\$200,452</u>

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2006

	General	M&R	State Highway	Street Repair
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,166	\$41,757	\$12,808	\$3,063
<i>Total Assets</i>	<u>\$6,166</u>	<u>\$41,757</u>	<u>\$12,808</u>	<u>\$3,063</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$6,166	\$0	\$0	\$0
Special Revenue Funds	0	41,757	12,808	3,063
<i>Total Fund Balances</i>	<u>\$6,166</u>	<u>\$41,757</u>	<u>\$12,808</u>	<u>\$3,063</u>

See accompanying notes to the basic financial statements

Street Light Levy	Fire Contracts	Fire Levy	Total Governmental Funds
\$2,359	\$17,267	\$23,530	\$106,950
<u>\$2,359</u>	<u>\$17,267</u>	<u>\$23,530</u>	<u>\$106,950</u>
\$0	\$0	\$0	\$6,166
2,359	17,267	23,530	100,784
<u>\$2,359</u>	<u>\$17,267</u>	<u>\$23,530</u>	<u>\$106,950</u>

Village of Zaleski, Vinton County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	M & R	State Highway	Street Repair
Receipts				
Property Taxes	\$9,616	\$0	\$0	\$8,489
Charges for Services	0	0	0	0
Intergovernmental	4,932	17,837	1,446	0
Miscellaneous	4,606	0	0	0
<i>Total Receipts</i>	<u>19,154</u>	<u>17,837</u>	<u>1,446</u>	<u>8,489</u>
Disbursements				
Current:				
General Government	19,591	0	0	0
Security of Persons and Property	0	0	0	0
Basic Utility Services	2,616	0	0	0
Transportation	0	10,750	0	10,492
<i>Total Disbursements</i>	<u>22,207</u>	<u>10,750</u>	<u>0</u>	<u>10,492</u>
<i>Net Change in Fund Balances</i>	(3,053)	7,087	1,446	(2,003)
<i>Fund Balances Beginning of Year</i>	<u>9,219</u>	<u>34,670</u>	<u>11,362</u>	<u>5,066</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,166</u></u>	<u><u>\$41,757</u></u>	<u><u>\$12,808</u></u>	<u><u>\$3,063</u></u>

See accompanying notes to the basic financial statements

Street Light Levy	Fire Contracts	Fire Levy	Total Governmental Funds
\$5,051	\$0	\$6,212	\$29,368
0	8,100	0	8,100
0	0	0	24,215
0	0	0	4,606
5,051	8,100	6,212	66,289
4,528	0	0	24,119
0	5,325	267	5,592
0	0	0	2,616
0	0	0	21,242
4,528	5,325	267	53,569
523	2,775	5,945	12,720
1,836	14,492	17,585	94,230
\$2,359	\$17,267	\$23,530	\$106,950

Village of Zaleski, Vinton County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
For the Year Ended December 31, 2006*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,748	\$3,748	\$9,616	\$5,868
Intergovernmental	15,139	15,139	8,436	(6,703)
Miscellaneous	950	950	1,102	152
Total Receipts	19,837	19,837	19,154	(683)
<u>Disbursements:</u>				
General Government	25,077	25,077	19,591	5,486
Basic Utility Services	3,800	3,800	2,616	1,184
Total Disbursements	28,877	28,877	22,207	6,670
Net Change in Fund Balance	(9,040)	(9,040)	(3,053)	5,987
Fund Balance Beginning of Year	9,172	9,172	9,172	0
Prior Year Encumbrances Appropriated	47	47	47	0
Fund Balance End of Year	\$179	\$179	\$6,166	\$5,987

	M & R			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$15,000	\$15,000	\$17,837	\$2,837
<u>Disbursements:</u>				
Transportation	49,670	49,670	10,750	38,920
Net Change in Fund Balance	(34,670)	(34,670)	7,087	41,757
Fund Balance Beginning of Year	34,670	34,670	34,670	0
Fund Balance End of Year	\$0	\$0	\$41,757	\$41,757

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
For the Year Ended December 31, 2006*

	State Highway			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$750	\$750	\$1,446	\$696
<u>Disbursements:</u>				
Transportation	12,112	12,112	0	12,112
Net Change in Fund Balance	(11,362)	(11,362)	1,446	12,808
Fund Balance Beginning of Year	11,362	11,362	11,362	0
Fund Balance End of Year	\$0	\$0	\$12,808	\$12,808

	Street Repair			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$7,850	\$7,850	\$8,489	\$639
<u>Disbursements:</u>				
Transportation	12,916	12,916	10,492	2,424
Net Change in Fund Balance	(5,066)	(5,066)	(2,003)	3,063
Fund Balance Beginning of Year	5,066	5,066	5,066	0
Fund Balance End of Year	\$0	\$0	\$3,063	\$3,063

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
For the Year Ended December 31, 2006*

	Street Light Levy			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,100	\$5,374	\$5,051	(\$323)
Miscellaneous	125	125	0	(125)
Total Receipts	\$3,225	\$5,499	\$5,051	(\$448)
<u>Disbursements:</u>				
General Government	5,061	5,061	4,528	533
Net Change in Fund Balance	(1,836)	438	523	85
Fund Balance Beginning of Year	1,836	1,836	1,836	0
Fund Balance End of Year	\$0	\$2,274	\$2,359	\$85

	Fire Contracts			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Charges for Services	\$8,400	\$8,400	\$8,100	(\$300)
<u>Disbursements:</u>				
Security of Persons and Property	22,892	22,892	5,325	17,567
Net Change in Fund Balance	(14,492)	(14,492)	2,775	17,267
Fund Balance Beginning of Year	14,492	14,492	14,492	0
Fund Balance End of Year	\$0	\$0	\$17,267	\$17,267

	Fire Levy			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$4,874	\$4,874	\$6,212	\$1,338
<u>Disbursements:</u>				
Security of Persons and Property	22,459	22,459	267	22,192
Net Change in Fund Balance	(17,585)	(17,585)	5,945	23,530
Fund Balance Beginning of Year	17,585	17,585	17,585	0
Fund Balance End of Year	\$0	\$0	\$23,530	\$23,530

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2006

	<u>Water</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$93,502</u>
<i>Total Assets</i>	<u><u>\$93,502</u></u>
Fund Net Assets	<u><u>\$93,502</u></u>

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Water
Operating Receipts	
Charges for Services	\$34,017
Other Operating Receipts	7,697
	41,714
<i>Total Operating Receipts</i>	<i>41,714</i>
Operating Disbursements	
Personal Services	14,606
Supplies and Materials	3,874
Utilities	5,166
Other	13,696
	37,342
<i>Total Operating Disbursements</i>	<i>37,342</i>
<i>Excess of Operating Receipts Over Operating Disbursements</i>	<i>4,372</i>
Non-Operating Receipts (Disbursements)	
Principal	(1,800)
Interest and Fiscal Charges	(3,695)
Interest	136
	(5,359)
<i>Total Non-Operating Receipts and Disbursements</i>	<i>(5,359)</i>
<i>Change in Net Assets</i>	<i>(987)</i>
<i>Net Assets Beginning of Year</i>	<i>94,489</i>
<i>Net Assets End of Year</i>	<i>\$93,502</i>

See accompanying notes to the basic financial statements

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Zaleski, Vinton County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of only the primary government. No component units or other organizations were included to ensure that the financial statements are not misleading.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Primary Government The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general governmental services, including water utilities and police protection. The Village contracts with the Vinton County Sheriff's Department to provide security of persons and property.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operation or capital requirements of a particular program.

General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village's funds are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - This fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

M&R Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing village streets.

State Highway Fund - This fund is used to account for monies received from the state to maintain state highways within the village.

Street Repair Fund - This fund accounts for that portion of the state and gasoline and motor vehicle registration fees designated for maintenance and repair of streets within the village.

Street Light Levy Fund - This fund is used to account for property tax levy monies used to maintain, repair and replace street lighting within the village.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Contracts Fund - This fund is used to account for the revenues received for providing fire protection services for other governments.

Fire Levy Fund – This fund receives local taxes and revenues from contracts with other political subdivisions to provide fire protection.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise fund is as follows:

Water Fund To account for revenue received from user charges for water services provided to residents of the Village. The costs of providing services are financed through user charges.

C. Basis of Accounting

These financial statements are prepared using the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level within each function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006, the Village had no investments.

F. Capital Assets

Acquisitions of property, plant, and equipment (capital assets) are recorded as disbursements when paid. The accompanying basic financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$100,784 restricted net assets, none of which are restricted by enabling legislation.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance

The Village reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

NOTE 3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, M&R Fund, State Highway Fund, Street Repair Fund, Street Light Levy Fund, Fire Contracts Fund, and the Fire Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no outstanding encumbrances at year end.

NOTE 4. DEPOSITS

Monies held by the Village are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 4. DEPOSITS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$103,431 of the Village's bank balance of \$203,431 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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 and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 5. PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5. PROPERTY TAX (Continued)

The full tax rate for all Village operations for the year ended December 31, 2006, was \$12.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$1,720,430
Other	85,330
Public Utility Property	113,100
Tangible Personal Property	80,240
Total Assessed Value	\$1,999,100

NOTE 6. DEBT

Debt outstanding at December 31, 2006 was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Rural Development Loan - 5%	\$73,900	\$0	\$1,800	\$72,100	\$1,900

The United States Department of Agriculture, Rural Development Loan relates to a water expansion project. The Rural Development has provided \$93,000 in loans to the Village for this project. The loan will be repaid in average annual installments of \$5,478 over 40 years from the Water Fund.

Amortization of the above debt is scheduled as follows:

<u>Year Ending December 31:</u>	<u>Rural Development Loan Principal</u>	<u>Interest</u>
2007	\$1,900	\$3,605
2008	2,000	3,510
2009	2,100	3,410
2010	2,200	3,305
2011	2,300	3,195
2012-2016	13,200	14,145
2017-2021	16,700	10,515
2022-2026	21,500	5,875
2027-2028	10,200	770
Total	\$72,100	\$48,330

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$2,218, \$2,250, and \$2,607 respectively. The full amount has been contributed for 2006, 2005 and 2004.

NOTE 8. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

**VILLAGE OF ZALESKI
VINTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)

Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214 for 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$648. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

NOTE 9. RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the Village contracted with Ohio Government Risk Management Plan for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Ohio Government Risk Management are as follows:

Building and Contents-replacement cost (\$500 deductible)	Limit \$446,000
Inland Marine Coverage (\$500 deductible)	Limit 45,000
Employer's Liability	1,000,000
Public Officials Liability	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

There has been no significant reduction in insurance coverage from the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

NOTE 10. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the Village implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Members of Council
Village of Zaleski, Vinton County
P.O. Box 176
Zaleski, OH 45620

We have audited the accompanying financial statements of Village of Zaleski, Vinton County, Ohio (Village), as of and for the year ended December 31, 2006, and have issued our report thereon dated July 10, 2007, which we noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*. As discussed in Note 2, the Village followed the cash basis of accounting, which is a comprehensive basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiency described in the accompanying schedule of findings and responses as item 2006-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Members of Council
Village of Zaleski, Vinton County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the Village's management in a separate letter dated July 10, 2007.

This report is intended solely for the information and use of the Village Council, management, and audit committee, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

July 10, 2007

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings and Responses
For the Year Ended December 31, 2006

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

Finding Number 2006-01

Deposits of Public Money - Significant Deficiency

Through testing the receipts, we found that the Village deposits of these receipts were not made timely. Utility payments received during the beginning of the month by the Village are kept in a safe until the 15th of each month. On the 15th of each month the Fiscal Officer enters the payments received into the computer and generates a shut-off notice report for all payments not received by the 15th. The officer then deposits the payments received into the bank.

We recommend that the Village not hold significant amounts of cash and checks in their safe for long periods of time. The Village should try to make deposits with the bank any time they receive significant amounts.

Officials' Response

The Fiscal Officer of the Village plans to make more frequent deposits with the bank.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Prior Audit Findings
For the Years Ended December 31, 2006

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2004-001	The Village did not ensure funds were certified at the time of the obligation through the use of then and now certificates.	Corrected	N/A

VILLAGE OF ZALESKI, VINTON COUNTY
Corrective Action Plan
For the Years Ended December 31, 2006

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2006-001	The Village plans to deposit receipts with the bank on a more frequent basis and not hold all utility payments to be deposited at one time.	Immediately	Sheryl Goble, Fiscal Officer



Mary Taylor, CPA
Auditor of State

VILLAGE OF ZALESKI

VINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 25, 2007