



***VILLAGE OF ZALESKI  
VINTON COUNTY***

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**Regular Audit**

**For the Years Ended  
December 31, 2022 and 2021**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Zaleski  
PO Box 176  
Zaleski, OH 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, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

December 20, 2023

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For the Years Ended December 31, 2022 and 2021

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## **Independent Auditor's Report**

Village of Zaleski  
Vinton County  
P.O. Box 176  
Zaleski, OH 45698

To the Village Council:

### ***Report on the Audit of the Financial Statements***

#### ***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Zaleski, Vinton County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2022 and 2021, or the changes in financial position thereof for the years then ended.

#### ***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.

***Substantial Doubt about the Village's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that the Village of Zaleski will continue as a going concern. As discussed in Note 13 to the financial statements, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Even though the General Fund had cash balances at year end 2022 and 2021 of \$20,578, and a deficit of \$66,212, the Village still could not support the other funds negative balances. This could result in the Village being included in Fiscal Watch or a Fiscal Emergency. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible 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 the financial audit standards in the Comptroller General of the United States' *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.



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

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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

November 16, 2023

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2022**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Other Local Taxes	\$5,948	\$47,538	\$53,486
Intergovernmental	92,928	21,544	114,472
Charges for Service	0	2,401	2,401
Earnings on Investments	31	0	31
Miscellaneous	38,084	0	38,084
<b>Total Cash Receipts</b>	<b>136,991</b>	<b>71,483</b>	<b>208,474</b>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	38,877	10,336	49,213
Security of Persons and Property	0	24,205	24,205
Leisure Time Activities	0	1,370	1,370
Basis Utility Services	11,324	0	11,324
Transportation	0	71,327	71,327
<b>Total Cash Disbursements</b>	<b>50,201</b>	<b>107,238</b>	<b>157,439</b>
Cash Receipts Over (Under) Cash Disbursements	86,790	(35,755)	51,035
Fund Cash Balances, January 1	(66,212)	140,313	74,101
<b>Fund Cash Balances, December 31</b>	<b>\$20,578</b>	<b>\$104,558</b>	<b>\$125,136</b>

See accompanying notes to the financial statements.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2022**

	Enterprise
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$136,369
Intergovernmental	\$20,000
Miscellaneous	10,720
	167,089
Total Operating Cash Receipts	167,089
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	56,487
Utilities	26,915
Contractual Services	73,881
Supplies and Materials	5,898
	163,181
Total Operating Cash Disbursements	163,181
Operating Income (Loss)	3,908
<b><u>Non-Operating Cash Receipts (Disbursements):</u></b>	
Principal Retirement	(53,717)
Interest and Fiscal Charges	(2,073)
	(55,790)
Total Non-Operating Cash Receipts (Disbursements)	(55,790)
Net Change in Fund Balances	(51,882)
Fund Cash Balances, January 1	(47,956)
<b>Fund Cash Balances, December 31</b>	<b>(\$99,838)</b>

See accompanying notes to the financial statements.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**NOTE 1. DESCRIPTION OF THE ENTITY**

The Village of Zaleski, Vinton County, Ohio, (the Village) is a body politic and corporate 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 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 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 provides general governmental services, including water and sewer utilities.

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

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported 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.

**Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover water service costs.

*Sewer Fund* - This fund will be used to receive charges for services from residents to cover sewer service costs.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2022 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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

***Fund Balance***

Fund balance is divided into five classifications 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 classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**NOTE 3. BUDGETARY BASIS OF ACCOUNTING**

Budgetary activity for the year ended 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,000	\$136,991	\$116,991
Special Revenue	70,009	71,483	1,474
Enterprise	143,000	167,089	24,089
Total	\$233,009	\$375,563	\$142,554

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,720	\$50,201	(\$25,481)
Special Revenue	139,000	107,238	31,762
Enterprise	75,300	218,971	(143,671)
Total	\$239,020	\$376,410	(\$137,390)

**NOTE 4. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2022
Demand Deposits	\$ 25,298

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**NOTE 5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**NOTE 6. DEBT**

Debt outstanding at December 31, 2022 was as follows:

<u>Business-Type Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Rural Development Loan - 5%	\$31,700	\$0	\$3,900	\$27,800
KS Bank Loan - 3352986	9,817	0	4,803	5,014
KS Bank Loan - 3353743	1,152	0	562	590
Direct Borrowing:				
OWDA Loan #6656 - 0%	629,690	0	44,452	585,238
<b>Total</b>	<b>\$672,359</b>	<b>\$0</b>	<b>\$53,717</b>	<b>\$618,642</b>

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.

In connection with the Rural Development Loan, the Village has pledged future water collection revenues to repay this debt. The loan is payable through its final maturity solely from water collection revenues received from water customers. The revenue available for this loan for 2020 was \$52,936, and principal and interest paid was \$5,445. The coverage ratio for this loan was 9.72 for the year ended December 31, 2022.

In February of 2018, the Village obtained a six-year loan through Kansas State Bank for the purchase of a Truck with Dump Body, plow and refinance for Cash Loader Backhoe in the amount of \$27,998. Payments will be made annually from the Sewer Fund in the amount of \$5,234; including interest.

In July of 2018, the Village obtained a five-year loan through Kansas State Bank for the purchase of a Bucket Truck in the amount of \$2,702. Payments will be made annually from the Sewer Fund in the amount of \$619; including interest.

**Direct Borrowing**

*Ohio Water Development Authority (OWDA) Debt*

In 2014, the Village entered into a loan with OWDA (#6656) for the purpose of a new wastewater treatment system. This loan repaid the initial planning and design OWDA loan #5108 as construction of the wastewater treatment system began in 2014. During 2022, no additional monies were disbursed to the Village and \$44,452 was paid by the Village. As of the end of 2022, the loan had not been fully disbursed and therefore the repayment schedule has not been issued and is not reflected within the amortization schedule below.

The OWDA loan contains provisions that in an event of default, (1) the amount of each default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.



**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

**NOTE 6. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Rural Development Loan		KS Bank Loans	
	Principal	Interest	Principal	Interest
2023	\$4,100	\$1,390	\$5,604	\$249
2024	4,300	1,185	0	0
2025	4,500	970	0	0
2026	4,700	745	0	0
2027	5,000	510	0	0
2028	5,200	260	0	0
Total	<u>\$27,800</u>	<u>\$5,060</u>	<u>\$5,604</u>	<u>\$249</u>

**NOTE 7. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement**

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

**NOTE 8. POSTEMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

**NOTE 9. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2022*

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**NOTE 10. CONTINGENT LIABILITIES**

**Litigation**

The Village is not currently party to any legal proceedings.

**Federal and State Grants**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**NOTE 11. COMPLIANCE**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated. At December 31, 2022, expenditures exceeded appropriations in several Village Funds.

Ohio Rev. Code § 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. There was a negative cash fund balance in the amount of \$14,129 in the Water Fund and \$99,110 in the Sewer Fund which is contrary to this section of the Ohio Rev. Code.

**NOTE 12. FUND BALANCES**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the Village had none of these balances.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

**NOTE 13. GOING CONCERN**

As stated in Note 11, Ohio Rev. Code § 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Even though the General Fund had a positive balance of \$20,578, the Village still could not support the other funds negative balances. This could result in the Village being included in Fiscal Watch or a Fiscal Emergency.

**NOTE 14. COVID-19**

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

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2021**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b><u>Cash Receipts:</u></b>			
Property and Other Local Taxes	\$5,143	\$32,445	\$37,588
Intergovernmental	19,449	24,618	44,067
Charges for Service	0	18,924	18,924
Earnings on Investments	46	0	46
Miscellaneous	768	256	1,024
Total Cash Receipts	<u>25,406</u>	<u>76,243</u>	<u>101,649</u>
<b><u>Cash Disbursements:</u></b>			
<i>Current:</i>			
General Government	79,871	11,925	91,796
Security of Persons and Property	0	28,022	28,022
Leisure Time Activities	0	1,554	1,554
Transportation	0	10,821	10,821
Basis Utility Services	12,284	0	12,284
Total Cash Disbursements	<u>92,155</u>	<u>52,322</u>	<u>144,477</u>
Cash Receipts Over (Under) Cash Disbursements	(66,749)	23,921	(42,828)
Fund Cash Balances, January 1	<u>537</u>	<u>116,392</u>	<u>116,929</u>
<b><i>Fund Cash Balances, December 31</i></b>	<b><u>(\$66,212)</u></b>	<b><u>\$140,313</u></b>	<b><u>\$74,101</u></b>

See accompanying notes to the financial statements.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2021**

	Enterprise
<b><u>Operating Cash Receipts:</u></b>	
Charges for Services	\$122,896
Miscellaneous	2,089
	124,985
Total Operating Cash Receipts	124,985
<b><u>Operating Cash Disbursements:</u></b>	
Personal Services	41,844
Utilities	8,065
Contractual Services	30,128
Supplies and Materials	10,394
	90,431
Total Operating Cash Disbursements	90,431
Operating Income	34,554
<b><u>Non-Operating Cash Receipts (Disbursements):</u></b>	
Principal Retirement	(53,288)
Interest and Fiscal Charges	(1,868)
	(55,156)
Total Non-Operating Cash Receipts (Disbursements)	(55,156)
Net Change in Fund Balances	(20,602)
Fund Cash Balances, January 1	(27,354)
<b>Fund Cash Balances, December 31</b>	<b>(\$47,956)</b>

See accompanying notes to the financial statements.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**NOTE 1. DESCRIPTION OF THE ENTITY**

The Village of Zaleski, Vinton County, Ohio, (the Village) is a body politic and corporate 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 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 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 provides general governmental services, including water and sewer utilities.

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

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported 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.

**Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

*COVID Fund* - This fund is used to account for emergency relief grants related to the COVID-19 pandemic.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover water service costs.

*Sewer Fund* - This fund will be used to receive charges for services from residents to cover sewer service costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 3.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

Fund balance is divided into five classifications 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 classifications are as follows:

***Nonspendable*** The Village classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

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

***Committed*** Council can ***commit*** amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as ***restricted*** or ***committed***. Governmental funds other than the general fund report all fund balances as ***assigned*** unless they are restricted or committed. In the general fund, ***assigned*** amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**NOTE 3. BUDGETARY BASIS OF ACCOUNTING**

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$25,406	\$25,406
Special Revenue	0	76,243	76,243
Enterprise	0	124,985	124,985
Total	\$0	\$226,634	\$226,634

  

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$92,155	(\$92,155)
Special Revenue	0	52,322	(52,322)
Enterprise	0	145,587	(145,587)
Total	\$0	\$290,064	(\$290,064)

**NOTE 4. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2021
Demand Deposits	\$ 26,145

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**NOTE 5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.



**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**NOTE 6. DEBT**

Debt outstanding at December 31, 2021 was as follows:

<u>Business-Type Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Rural Development Loan - 5%	\$35,400	\$0	\$3,700	\$31,700
OWDA Loan #6656 - 0%	674,142	0	44,452	629,690
KS Bank Loan - 3352986	14,418	0	4,601	9,817
KS Bank Loan - 3353743	1,687	0	535	1,152
<b>Total</b>	<b>\$725,647</b>	<b>\$0</b>	<b>\$53,288</b>	<b>\$672,359</b>

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.

In connection with the Rural Development Loan, the Village has pledged future water collection revenues to repay this debt. The loan is payable through its final maturity solely from water collection revenues received from water customers. The revenue available for this loan for 2019 was \$57,703, and principal and interest paid was \$5,410. The coverage ratio for this loan was 10.67 for the year ended December 31, 2021.

In February of 2018, the Village obtained a six-year loan through Kansas State Bank for the purchase of a Truck with Dump Body, plow and refinance for Cash Loader Backhoe in the amount of \$27,998. Payments will be made annually from the Sewer Fund in the amount of \$5,234; including interest.

In July of 2018, the Village obtained a five-year loan through Kansas State Bank for the purchase of a Bucket Truck in the amount of \$2,702. Payments will be made annually from the Sewer Fund in the amount of \$619; including interest.

**Direct Borrowing**

*Ohio Water Development Authority (OWDA) Debt*

In 2014, the Village entered into a loan with OWDA (#6656) for the purpose of a new wastewater treatment system. This loan repaid the initial planning and design OWDA loan #5108 as construction of the wastewater treatment system began in 2014. During 2021, no additional monies were disbursed to the Village and \$44,452 was paid by the Village. As of the end of 2021, the loan had not been fully disbursed and therefore the repayment schedule has not been issued and is not reflected within the amortization schedule below.

The OWDA loan contains provisions that in an event of default, (1) the amount of each default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charge have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the Village shall continue to pay an additional late charge of 1 percent of the amount of the default until such charges are paid.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**NOTE 6. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Rural Development Loan		KS Bank Loans	
	Principal	Interest	Principal	Interest
2022	\$3,900	\$1,585	\$5,365	\$488
2023	4,100	1,390	5,604	249
2024	4,300	1,185	0	0
2025	4,500	970	0	0
2026	4,700	745	0	0
2027-2028	10,200	770	0	0
Total	<u>\$31,700</u>	<u>\$6,645</u>	<u>\$10,969</u>	<u>\$737</u>

**NOTE 7. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement**

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

**NOTE 8. POSTEMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

**NOTE 9. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**NOTE 10. CONTINGENT LIABILITIES**

**Litigation**

The Village is not currently party to any legal proceedings.

**Village of Zaleski**  
**Vinton County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**NOTE 10. CONTINGENT LIABILITIES (Continued)**

**Federal and State Grants**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**NOTE 11. COMPLIANCE**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated. At December 31, 2021, expenditures exceeded appropriations in all Village Funds as no appropriations were made during 2021.

Ohio Rev. Code § 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. There were negative cash fund balances in the amount of \$66,212 in the General Fund and \$90,887 in the Sewer fund which is contrary to this section of the Ohio Rev. Code.

**NOTE 12. FUND BALANCES**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the un-expendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the Village had none of these balances.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

**NOTE 13. GOING CONCERN**

As stated in Note 11, Ohio Rev. Code § 5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Due to the General Fund having a deficit of \$66,212, the Village cannot support the other funds if they were also negative. This could result in the Village being included in Fiscal Watch or a Fiscal Emergency.

**NOTE 14. SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. Ohio's state of emergency ended in June, 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 15. INTERFUND BALANCES**

Outstanding advances at December 31, 2021, consisted of \$20,000 advanced to the General Fund from the M&R Fund to provide working capital for operations.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards***

Village Council  
Village of Zaleski, Vinton County  
P.O. Box 176  
Zaleski, OH 45698

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Zaleski, Perry County, Ohio (the Village), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated November 16, 2023, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods of the Village. We also noted the Village is experiencing going concern issues due to negative fund balances.

**Internal Control over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, yet important enough to merit attention by those charged with governance.

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

Village Council  
Village of Zaleski, Vinton County  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2022-001 through 2022-005.

### **Entity's Response to Findings**

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

November 16, 2023

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

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

***Finding Number 2022-001***

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2022, expenditures exceeded appropriations, as follows:

	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$24,720	\$50,201	(\$25,481)
Enterprise Funds	75,300	218,971	(143,671)
Totals	\$100,020	\$269,172	(\$169,152)

At December 31, 2021, expenditures exceeded appropriations, as follows:

	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$0	\$92,155	(\$92,155)
Fire Contract	0	52,322	(52,322)
Fire Levy	0	145,587	(145,587)
Totals	\$0	\$290,064	(\$290,064)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:**

The Village has new administration. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

<b>Finding Number 2022-002</b>
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**Noncompliance**

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2022, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances were as follows:

	Approved	System	Variance
General Fund	\$25,587	\$136,991	(\$111,404)
Fire Contracts Fund	48,958	2,401	46,557
Fire Levy Fund	17,079	22,938	(5,859)
Highway Fund	2,492	4,793	(2,301)
M & R Fund	21,283	21,544	(261)
Street Lighting Fund	20,698	11,259	9,439
Street Repair Fund	27,695	8,104	19,591
Park Fund	5,378	2,255	3,123
Water Fund	55,059	53,026	2,033
Sewer Fund	22,113	103,343	(81,230)
GWD	307	0	307
Reserves	5	0	5
Sinking	959	0	959
NOW	1,474	0	1,474
Transfer	327	10720	(10,393)

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

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At December 31, 2021, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$0	\$26,864	(\$26,864)
Fire Contracts Fund	0	18,953	(18,953)
Fire Levy Fund	0	11,419	(11,419)
Highway Fund	0	6,992	(6,992)
M & R Fund	0	18,950	(18,950)
Street Lighting Fund	0	11,827	(11,827)
Street Repair Fund	0	4,523	(4,523)
Park Fund	0	2,312	(2,312)
Water Fund	0	50,034	(50,034)
Sewer Fund	0	72,852	(72,852)
Transfer	0	2,089	(2,089)

At December 31, 2022, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$24,720	\$53,247	(\$28,527)
Fire Contracts Fund	3,458	995	2,463
Fire Levy Fund	52,627	15,139	37,488
Highway Fund	1,000	26,285	(25,285)
M & R Fund	18,000	39,428	(21,428)
Street Lighting Fund	34,449	9,910	24,539
Street Repair Fund	25,000	5,310	19,690
Park Fund	4,465	1,285	3,180
COVID	0	7,650	(7,650)
Water Fund	53,300	92,214	(38,914)
Sewer Fund	22,000	105,061	(83,061)
Reserves	0	14,800	(14,800)



**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

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At December 31, 2021, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$0	\$92,624	(\$92,624)
Fire Contracts Fund	0	372	(372)
Fire Levy Fund	0	8,367	(8,367)
Highway Fund	0	0	0
M & R Fund	0	9,678	(9,678)
Street Lighting Fund	0	11,495	(11,495)
Street Repair Fund	0	825	(825)
Park Fund	0	1,457	(1,457)
Water Fund	0	37,997	(37,997)
Sewer Fund	0	106,480	(106,480)
Transfer	0	2,089	(2,089)
COVID	0	18,861	(18,861)

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control. An adjustment was made in the budgetary activity reported in Note 3 to the 2022 financial statements and the 2021 financial statements in order to accurately present estimated receipts and appropriations as approved by the Budget Commission and Village Council, respectively.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Village Council only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:**

The Village has new administration. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

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***Finding Number 2022-003***

**Noncompliance**

Ohio Rev. Code § 117.38 provides that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars.

The report shall contain the amount of: (1) receipts, and amounts due from each source; (2) expenditures for each purpose; (3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village prepares cash-basis financial reports. Accordingly, the financial reports were required to be submitted to the Auditor of State within sixty days of the year end. However, the Village did not file the annual report for the years ending December 31, 2022 until March 2, 2023. This was because the Village did not prepare or maintain proper financial records during the year.

The Village Fiscal Officer should prepare the annual reports timely based upon financial information in their accounting system. The report should be filed with the Auditor of State within sixty days of fiscal year end. The Village should implement proper systems and procedures to ensure that the financial report is timely and accurately prepared utilizing their records. This will help ensure complete and proper records are prepared and filed timely.

**Officials' Response:**

The Village has new administration. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

***Finding Number 2022-004***

**Noncompliance**

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

At December 31, 2022, the Village's Enterprise Funds had a negative fund balance of \$99,838. At December 31, 2021, the Village's General Fund had a negative fund balance of \$66,212 and the Enterprise Funds had a negative fund balance of \$47,956.

Deficits were caused by a lack of budgetary oversight by management.

We recommend the Fiscal Officer and the Village Council monitor fund activity throughout the year to help prevent future expenditures from exceeding available resources, thus resulting in a cash flow problem.

**Officials' Response:**

The Village has new administration. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2022 and 2021**

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<b><i>Finding Number 2022-005</i></b>
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**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated about that a Fiscal Officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are, “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(I) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”) and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution “Then and Now” Certificates. Amounts less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.
- Blanket Certificates. Fiscal Officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for all of expenditures tested. For these items, the Village also did not prepare blanket certificates, super blanket certificates not then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

**Client Response:**

The Village has new administration. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Zaleskitownhall1@gmail.com**

*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2022 and 2021*

<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
<i>Government Auditing Standards:</i>			
2020-001	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Corrected	N/A
2020-002	Noncompliance with Ohio Rev. Code 5705.41(B) expenditures exceeded appropriations.	Not Corrected	Reissued as Finding 2022-001
2020-003	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(C)(1) budgetary records did not agree to accounting records.	Not Corrected	Reissued as Finding 2022-002
2020-004	Noncompliance with Ohio Rev. Code 117.38 filed report late.	Not Corrected	Reissued as Finding 2022-003
2020-005	Noncompliance with Ohio Rev. Code 5705.10(I); money paid into any fund shall be used only for the purposes for which such fund is established.	Not Corrected	Reissued as Finding 2022-004

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF ZALESKI**

**VINTON 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 1/2/2024**

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

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