



***VILLAGE OF ZALESKI, VINTON COUNTY***

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**Regular Audit**

**For the Year Ended  
December 31, 2007**

**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, 2007 through December 31, 2007. 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

October 6, 2009

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**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Table of Contents**  
**For the Year Ended December 31, 2007**

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Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets - Cash Basis .....	9
Statement of Activities - Cash Basis .....	10
<u>Fund Financial Statements:</u>	
Statement of Cash Basis Assets and Fund Balances- Governmental Funds .....	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds .....	13
Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) General and M& R Funds .....	15
State Highway, Street Repair and Street Light Levy Funds .....	16
Fire Contacts, Fire Levy and Zaleski School Memorial Park Funds .....	17
Statement of Fund Net Assets - Cash Basis - Proprietary Funds .....	18
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis - Proprietary Funds .....	19
Notes to the Basic Financial Statements .....	20
Independent Accountant's 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 .....	34
Corrective Action Plan .....	35

## 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, and each major fund of the Village of Zaleski, Vinton County (the Village) as of and for the year ended December 31, 2007, 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, and each major fund of the Village as of December 31, 2007, and the respective changes in financial position and the respective budgetary comparisons for the General, M & R, State Highway, Street Repair, Street Light Levy, Fire Contracts, Fire Levy, and Zaleski School Memorial Park Funds for the year then ended in conformity with the cash basis of accounting presented in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2009 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.

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

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 22, 2009

Village of Zaleski, Vinton County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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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, 2007, 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 2007 are as follows:

Net assets of governmental activities increased \$9,567 and net assets of business-type activities decreased \$12,206 in 2007.

In the governmental funds, the fund with the most significant change in fund balance in 2007 was the M&R Fund with a decrease in fund balance of \$9,873.

The Village's general receipts are primarily property taxes. These receipts represent 42 percent of the total cash received for governmental activities during 2007.

**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, 2007  
Unaudited

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**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 2007, 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, 2007  
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 2007, 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, Fire Levy Fund, and Zaleski School Memorial Park Fund. For 2007, 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 2007 compared to 2006 on a cash basis:

(Table 1)

	<b>Net Assets</b>					
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	2007	2006*	2007	2006	2007	2006
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$ 120,657</u>	<u>\$ 111,090</u>	<u>\$ 81,296</u>	<u>\$ 93,502</u>	<u>\$ 201,953</u>	<u>\$ 204,592</u>
Net Assets						
Restricted for:						
Other Purposes	111,992	104,924	0	0	111,992	104,924
Unrestricted	<u>8,665</u>	<u>6,166</u>	<u>81,296</u>	<u>93,502</u>	<u>89,961</u>	<u>99,668</u>
Total Net Assets	<u>\$ 120,657</u>	<u>\$ 111,090</u>	<u>\$ 81,296</u>	<u>\$ 93,502</u>	<u>\$ 201,953</u>	<u>\$ 204,592</u>

\* Net Assets for 2006 have been restated to include previously unrecorded cash in the amount of \$4,140 relating to the Zaleski School Memorial Park Fund. Refer to Note 10 of the notes to the basic financial statements for more information regarding this restatement.

As mentioned previously, net assets of governmental activities increased \$9,567 and the business-type activities decreased \$12,206 during 2007. The increase to cash for the governmental funds is due to the increase in receipts from the prior year. The decrease in cash for the business type activities is due to the increase in disbursements from the prior year.

Village of Zaleski, Vinton County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

Table 2 reflects the changes in net assets for 2007 compared to 2006:

(Table 2)  
**Change in Net Assets**

	Governmental Activities 2007	Business-Type Activities 2007	Governmental Activities 2006*	Business-Type Activities 2006
<b>Cash Receipts:</b>				
<b>Program Cash Receipts:</b>				
Charges for Services and Sales	\$ 9,900	\$ 37,293	\$ 8,100	\$ 34,017
Operating Grants and Contributions	30,095	0	24,215	0
<b>Total Program Cash Receipts</b>	<b>39,995</b>	<b>37,293</b>	<b>32,315</b>	<b>34,017</b>
<b>General Cash Receipts:</b>				
Property Taxes	31,098	0	29,368	0
Interest	24	160	0	136
Miscellaneous	2,305	10,746	8,746	7,697
<b>Total General Cash Receipts</b>	<b>33,427</b>	<b>10,906</b>	<b>38,114</b>	<b>7,833</b>
<b>Total Cash Receipts</b>	<b>73,422</b>	<b>48,199</b>	<b>70,429</b>	<b>41,850</b>
<b>Cash Disbursements:</b>				
General Government	16,709	0	24,119	0
Security of Persons and Property	5,843	0	5,592	0
Leisure Time Activities	128	0	0	0
Basic Utility Services	1,789	0	2,616	0
Transportation	39,386	0	21,242	0
Water	0	60,405	0	42,837
<b>Total Cash Disbursements</b>	<b>63,855</b>	<b>60,405</b>	<b>53,569</b>	<b>42,837</b>
<b>Increase (Decrease) in Net Assets</b>	<b>9,567</b>	<b>(12,206)</b>	<b>16,860</b>	<b>(987)</b>
Net Assets, January 1	111,090	93,502	94,230	94,489
<b>Net Assets, December 31</b>	<b>\$ 120,657</b>	<b>\$ 81,296</b>	<b>\$ 111,090</b>	<b>\$ 93,502</b>

\* As restated – refer to Note 10 of the notes basic financial statements for more information regarding this restatement.

Village of Zaleski, Vinton County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

Program receipts represent 54 percent of total receipts for governmental activities and 78 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 46 percent of the Village's governmental activities total receipts and 22 percent of the Village's business-type activities total receipts. Local taxes account for 93 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. The increase in transportation disbursements is due mainly to the increase in disbursements for the Maintenance and Repair fund. The increase in disbursements for the water fund is due to the village purchasing three new computer programs.

**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 26 and 62 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)

	<b>Governmental Activities</b>		<b>Governmental Activities</b>	
	Total Cost Of Services	Net Cost Of Services	Total Cost Of Services	Net Cost Of Services
	2007	2007	2006	2006
General Government	\$ 16,709	\$ 5,721	\$ 24,119	\$ 19,187
Security of Persons and Property	5,843	(4,057)	5,592	(2,508)
Leisure Time Activities	128	128	0	0
Basic Utility Services	1,789	1,789	2,616	2,616
Transportation	39,386	20,279	21,242	1,959
<b>Total Expenses</b>	<b>\$ 63,855</b>	<b>\$ 23,860</b>	<b>\$ 53,569</b>	<b>\$ 21,254</b>

  

	<b>Business-Type Activities</b>		<b>Business-Type Activities</b>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Water	\$ 60,405	\$ 23,112	\$ 42,837	\$ 8,820
<b>Total Expenses</b>	<b>\$ 60,405</b>	<b>\$ 23,112</b>	<b>\$ 42,837</b>	<b>\$ 8,820</b>

Village of Zaleski, Vinton County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**The Village's Funds**

Total governmental funds had receipts of \$73,422 and disbursements of \$63,855. The greatest change within governmental funds occurred within the M & R Fund. The fund balance of the M & R Fund decreased \$9,873 in 2007 as the result of increased disbursements. The State Highway fund showed a decrease in fund balance of \$227, while the General fund, Street Repair, Street Light Levy, Fire Contracts, Fire Levy, and Zaleski School Memorial Park funds showed increases in fund balances of \$2,499, \$5,884, \$158, \$4,315 \$5,688, and \$1,123, 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 2007 the Village did not amended its General Fund budget. The Village uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2007, General Fund actual receipts were \$16,441, which was \$3,151 over budgeted receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2007 were \$13,942, which was \$5,334 under budgeted disbursements.

**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, 2007, the Village's outstanding debt totaled \$70,200. 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.

**Village of Zaleski, Vinton County**

*Statement of Net Assets - Cash Basis*

*December 31, 2007*

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	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$120,657	\$81,296	\$201,953
<i>Total Assets</i>	<u>120,657</u>	<u>81,296</u>	<u>201,953</u>
<b>Net Assets</b>			
Restricted for:			
Maintenance and Repair	31,884	0	31,884
State Highway	12,581	0	12,581
Street Repair	8,947	0	8,947
Street Light Levy	2,517	0	2,517
Fire Contracts	21,582	0	21,582
Fire Levy	29,218	0	29,218
Zaleski School Memorial Park	5,263	0	5,263
Unrestricted	8,665	81,296	89,961
<i>Total Net Assets</i>	<u>\$120,657</u>	<u>\$81,296</u>	<u>\$201,953</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, 2007

	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
<b>Governmental Activities</b>						
General Government	\$16,709	\$0	\$10,988	(\$5,721)	\$0	(\$5,721)
Security of Persons and Property	5,843	9,900	0	4,057	0	4,057
Leisure Time Activities	128	0	0	(128)	0	(128)
Basic Utility Services	1,789	0	0	(1,789)	0	(1,789)
Transportation	39,386	0	19,107	(20,279)	0	(20,279)
<i>Total Governmental Activities</i>	63,855	9,900	30,095	(23,860)		(23,860)
<b>Business Type Activity</b>						
Water	60,405	37,293	0	0	(23,112)	(23,112)
<b>Total</b>	<b>\$124,260</b>	<b>\$47,193</b>	<b>\$30,095</b>	<b>(23,860)</b>	<b>(23,112)</b>	<b>(46,972)</b>
<b>General Receipts</b>						
Property Taxes Levied for:						
				4,375	0	4,375
				26,723	0	26,723
				24	160	184
				2,305	10,746	13,051
<i>Total General Receipts</i>				33,427	10,906	44,333
Change in Net Assets				9,567	(12,206)	(2,639)
<i>Net Assets Beginning of Year - As Restated</i> <i>- See Note 10</i>				111,090	93,502	204,592
<i>Net Assets End of Year</i>				<u>\$120,657</u>	<u>\$81,296</u>	<u>\$201,953</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, 2007

	General	M&R	State Highway	Street Repair
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$8,665	\$31,884	\$12,581	\$8,947
<i>Total Assets</i>	\$8,665	\$31,884	\$12,581	\$8,947
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$8,665	\$0	\$0	\$0
Special Revenue Funds	0	31,884	12,581	8,947
<i>Total Fund Balances</i>	\$8,665	\$31,884	\$12,581	\$8,947

See accompanying notes to the basic financial statements

Street Light Levy	Fire Contracts	Fire Levy	Zaleski School Memorial Park	Total Governmental Funds
\$2,517	\$21,582	\$29,218	\$5,263	\$120,657
<u>\$2,517</u>	<u>\$21,582</u>	<u>\$29,218</u>	<u>\$5,263</u>	<u>\$120,657</u>
\$0	\$0	\$0	\$0	\$8,665
2,517	21,582	29,218	5,263	111,992
<u>\$2,517</u>	<u>\$21,582</u>	<u>\$29,218</u>	<u>\$5,263</u>	<u>\$120,657</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, 2007*

	General	M & R	State Highway	Street Repair
<b>Receipts</b>				
Property Taxes	\$4,375	\$0	\$0	\$16,063
Charges for Services	0	0	0	0
Intergovernmental	10,988	17,674	1,433	0
Interest	0	0	0	0
Miscellaneous	1,078	0	0	0
<i>Total Receipts</i>	<u>16,441</u>	<u>17,674</u>	<u>1,433</u>	<u>16,063</u>
<b>Disbursements</b>				
Current:				
General Government	12,153	0	0	0
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	0
Basic Utility Services	1,789	0	0	0
Transportation	0	27,547	1,660	10,179
<i>Total Disbursements</i>	<u>13,942</u>	<u>27,547</u>	<u>1,660</u>	<u>10,179</u>
<i>Net Change in Fund Balances</i>	2,499	(9,873)	(227)	5,884
<i>Fund Balances Beginning of Year - As Restated</i> <i>- See Note 10</i>	<u>6,166</u>	<u>41,757</u>	<u>12,808</u>	<u>3,063</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,665</u></u>	<u><u>\$31,884</u></u>	<u><u>\$12,581</u></u>	<u><u>\$8,947</u></u>

See accompanying notes to the basic financial statements

Street Light Levy	Fire Contracts	Fire Levy	Zaleski School Memorial Park	Total Governmental Funds
\$4,714	\$0	\$5,946	\$0	\$31,098
0	9,900	0	0	9,900
0	0	0	0	30,095
0	0	0	24	24
0	0	0	1,227	2,305
4,714	9,900	5,946	1,251	73,422
4,556	0	0	0	16,709
0	5,585	258	0	5,843
0	0	0	128	128
0	0	0	0	1,789
0	0	0	0	39,386
4,556	5,585	258	128	63,855
158	4,315	5,688	1,123	9,567
2,359	17,267	23,530	4,140	111,090
\$2,517	\$21,582	\$29,218	\$5,263	\$120,657

**Village of Zaleski, Vinton County**

*Statements of Receipts, Disbursements and Changes  
In Fund Balances - Budget and Actual -Budgetary Basis  
For the Year Ended December 31, 2007*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,437	\$3,437	\$4,375	\$938
Intergovernmental	9,853	9,853	10,988	1,135
Miscellaneous	0	0	1,078	1,078
<b>Total Receipts</b>	<b>13,290</b>	<b>13,290</b>	<b>16,441</b>	<b>3,151</b>
<u>Disbursements:</u>				
General Government	15,476	15,476	12,153	3,323
Basic Utility Services	3,800	3,800	1,789	2,011
<b>Total Disbursements</b>	<b>19,276</b>	<b>19,276</b>	<b>13,942</b>	<b>5,334</b>
Net Change in Fund Balance	(5,986)	(5,986)	2,499	8,485
Fund Balance Beginning of Year	6,166	6,166	6,166	0
<b>Fund Balance End of Year</b>	<b>\$180</b>	<b>\$180</b>	<b>\$8,665</b>	<b>\$8,485</b>

	M & R			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$18,525	\$18,525	\$17,674	(\$851)
<u>Disbursements:</u>				
Transportation	60,282	60,282	27,547	32,735
Net Change in Fund Balance	(41,757)	(41,757)	(9,873)	31,884
Fund Balance Beginning of Year	41,757	41,757	41,757	0
<b>Fund Balance End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31,884</b>	<b>\$31,884</b>

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County

Statements of Receipts, Disbursements and Changes  
In Fund Balances - Budget and Actual - Budgetary Basis  
For the Year Ended December 31, 2007

	State Highway			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$1,502	\$1,502	\$1,433	(\$69)
<u>Disbursements:</u>				
Transportation	14,310	14,310	1,660	12,650
Net Change in Fund Balance	(12,808)	(12,808)	(227)	12,581
Fund Balance Beginning of Year	12,808	12,808	12,808	0
Fund Balance End of Year	\$0	\$0	\$12,581	\$12,581

	Street Repair			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$7,235	\$7,235	\$16,063	\$8,828
<u>Disbursements:</u>				
Transportation	10,298	10,298	10,179	119
Net Change in Fund Balance	(3,063)	(3,063)	5,884	8,947
Fund Balance Beginning of Year	3,063	3,063	3,063	0
Fund Balance End of Year	\$0	\$0	\$8,947	\$8,947

	Street Light Levy			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,451	\$3,451	\$4,714	\$1,263
Total Receipts	\$3,451	\$3,451	\$4,714	\$1,263
<u>Disbursements:</u>				
General Government	5,810	5,810	4,556	1,254
Net Change in Fund Balance	(2,359)	(2,359)	158	2,517
Fund Balance Beginning of Year	2,359	2,359	2,359	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$2,517	\$2,517

See accompanying notes to the basic financial statements

Village of Zaleski, Vinton County

Statements of Receipts, Disbursements and Changes  
In Fund Balances - Budget and Actual -Budgetary Basis  
For the Year Ended December 31, 2007

	Fire Contracts			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Charges for Services	\$7,200	\$7,200	\$9,900	\$2,700
<u>Disbursements:</u>				
Security of Persons and Property	24,467	24,467	5,585	18,882
Net Change in Fund Balance	(17,267)	(17,267)	4,315	21,582
Fund Balance Beginning of Year	17,267	17,267	17,267	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$21,582</u>	<u>\$21,582</u>

	Fire Levy			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$8,243	\$8,243	\$5,946	(\$2,297)
<u>Disbursements:</u>				
Security of Persons and Property	28,773	28,773	258	28,515
Net Change in Fund Balance	(20,530)	(20,530)	5,688	26,218
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$29,218</u>	<u>\$26,218</u>

	Zaleski School Memorial Park Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Receipts:</u>				
Interest	\$ -	\$ -	\$ 24	\$ 24
Miscellaneous	-	-	1,227	1,227
Total Receipts	-	-	1,251	1,251
<u>Disbursements:</u>				
Leisure Time Activities	-	-	128	(128)
Net Change in Fund Balance	-	-	1,123	1,123
Fund Balance Beginning of Year	4,140	4,140	4,140	-
Fund Balance End of Year	<u>\$ 4,140</u>	<u>\$ 4,140</u>	<u>\$ 5,263</u>	<u>\$ 1,123</u>

See accompanying notes to the basic financial statements

**Village of Zaleski, Vinton County**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2007*

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	<u>Water</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$81,296</u>
<i>Total Assets</i>	<u><u>\$81,296</u></u>
<b>Fund Net Assets</b>	<u><u>\$81,296</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, 2007*

	Water
<b>Operating Receipts</b>	
Charges for Services	\$37,293
Other Operating Receipts	10,746
<i>Total Operating Receipts</i>	48,039
 <b>Operating Disbursements</b>	
Personal Services	16,461
Supplies and Materials	3,222
Utilities	4,531
Other	30,686
<i>Total Operating Disbursements</i>	54,900
<i>Excess of Operating Receipts Over Operating Disbursements</i>	(6,861)
 <b>Non-Operating Receipts (Disbursements)</b>	
Principal	(1,900)
Interest and Fiscal Charges	(3,605)
Interest	160
<i>Total Non-Operating Receipts and Disbursements</i>	(5,345)
<i>Change in Net Assets</i>	(12,206)
<i>Net Assets Beginning of Year</i>	93,502
<i>Net Assets End of Year</i>	\$81,296

See accompanying notes to the basic financial statements

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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 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 fire 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 – cash basis 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, 2007**

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

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

General cash 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 property tax levy monies used 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, 2007**

**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 to provide fire protection.

*Zaleski School Memorial Park Fund* – This fund is used to account for receipts for the purchase of the Zaleski School Memorial Park.

***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, 2007**

**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 2007, 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. However, under the cash basis of accounting no liabilities are recorded. Therefore, Equity in Pooled Cash and Cash Equivalents equals Net 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 \$106,729 restricted net assets, none of which are restricted by enabling legislation.

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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, Fire Levy Fund, and the Zaleski School Memorial Park 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 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, 2007**

**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);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

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.

*Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Village's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of December 31, 2007, the Village's bank balance of \$202,202 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, 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.

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 5. PROPERTY TAX (Continued)**

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$14.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$1,916,130
Other	84,760
Public Utility Property	131,640
Tangible Personal Property	6,660
Total Assessed Value	\$2,139,190

**NOTE 6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<u>Business-Type Activities</u>					
Rural Development Loan - 5%	\$72,100	\$0	\$1,900	\$70,200	\$2,000

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:

Year Ending December 31:	Rural Development Loan Principal	Interest
2008	\$2,000	\$3,510
2009	2,100	3,410
2010	2,200	3,305
2011	2,300	3,195
2012	2,400	3,080
2013-2017	13,800	13,485
2018-2022	17,600	9,680
2023-2027	22,600	4,800
2028	5,200	260
Total	\$70,200	\$44,725

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The 2007 member contribution rates were 9.5% for members in state and local classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate 10.1%. Public safety division members contributed at 9.5%. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%.

The Village's contributions to OPERS for the years ended December 31, 2007, 2006, and 2005 were \$4,362, \$2,218, and \$2,250, respectively which were the required contributions for those years.

**NOTE 8. POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 8. POSTEMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll, and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions for all employers allocated to health care was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2006.

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care – Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The employer contributions that were used to fund post-employment benefits were \$1,417 for 2007. \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006 (the latest information available).

The Actuarial Valuation as of December 31, 2006 (the latest information available), reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on the actuarial cost method used, at \$30.7 billion and \$18.7 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan:

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

**VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**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 2007, 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	\$596,133
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

Ohio Government Risk Management Plan financial statements reported the following assets, liabilities and retained earning at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

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 during the past three years.

**NOTE 10. RESTATEMENT OF NET ASSETS/FUND BALANCES**

The Village has chosen to restate its net assets/fund balances as of December 31, 2006, to include previously unrecorded cash in the amount of \$4,140 relating to the Zaleski School Memorial Park Fund.

This restatement had the following effect on beginning net assets:

	<u>Governmental Activities</u>	<u>Zaleski School Memorial Park</u>
Net Assets/Fund Balance, December 31, 2006	\$ 106,950	\$ -
Restatement	4,140	4,140
Restated Net Assets/Fund Balance , December 31, 2006	<u>\$ 111,090</u>	<u>\$ 4,140</u>

**NOTE 11. COMPLIANCE**

The Village had disbursements in excess of appropriations in the Zaleski School Memorial Park Fund, which is contrary to Ohio Revised Code Section 5705.41(B).

**Independent Accountant's 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 the governmental activities, business-type activities, and each major fund of the Village of Zaleski, Vinton County, Ohio (the Village), as of and for the year ended December 31, 2007, and have issued our report thereon dated July 22, 2009. 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described as items 2007-001 and 2007-002 in the accompanying Schedule of Findings to be significant deficiencies 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  
Independent Accountant's 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 believe the deficiency in internal control over financial reporting described above as item 2007-001 is a material weakness.

**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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted certain matters that we reported to the Village's management in a separate letter dated July 22, 2009.

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

This report is intended solely for the information and use of the 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 22, 2009

**VILLAGE OF ZALESKI, VINTON COUNTY**  
*Schedule of Findings and Responses*  
*For the Year Ended December 31, 2007*

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

***Finding Number 2007-001***

**Financial Record Keeping - Significant Deficiency/ Material Weakness/Material Noncompliance**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

In 2007, a prior period adjustment was issued to record the December 31, 2006 cash balance of the Zaleski School Memorial Park Fund and to increase the Net Assets of the Governmental Activities. Also, an audit adjustment was made to include the 2007 financial activity of the fund that was not posted to the Village's financial statements. This did not allow the Fiscal Officer to accurately reflect the receipt and disbursement transactions of the Village.

The fact that the omissions resulting in audit adjustment entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the financial transactions and cash balance of the Village for 2007.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and maintain the receipt ledger, the appropriation ledger, and the cash journal in the manner prescribed therein.

**Officials' Response**

The Park Funds was a grant that we were invited to participate in by the Rensselaer Institute. We had to have a project for the community. The only place we had for a project was at the School grounds. The school agreed to let us use the ball field for our project. We were awarded \$3,000 and was to match that for the project. We refurbished the dug outs and built a snack shack so we could sell goodies at the ball games. Because of the way we received the money we were not sure if it was Village funds or not. There was an account opened though specifically for Park funds under the umbrella of the Village. We were not sure of how to do this since the school grounds didn't belong to us yet. It had been decided between the Village and The Vinton County Board of Education that the Village would acquire the ground after the school was torn down. After the property had been deeded to us, the money was registered with the County Auditor.

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2007**

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***Finding Number 2007-002***

**Deposits of Public Money - Significant Deficiency**

Through testing of the Village receipts, primarily in the water utility account, we found several instances where monies received by the Fiscal Officer were recorded in the revenue ledger several days prior to being deposited into the bank.

In order to increase the controls over the receipt and recording of monies, we recommend the Fiscal Officer post the receipt of money immediately after its receipt and make deposits to the bank within a reasonable time, within three days, thereafter.

**Officials' Response**

Daily deposits is not a realistic expectation because there isn't enough receipts received daily for effective use of clerk time. Deposits were made in a timely and accountable manner on a regular basis which is the intent of the law.

**VILLAGE OF ZALESKI, VINTON COUNTY**

*Schedule of Prior Audit Findings*

*For the Years Ended December 31, 2007*

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<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
	<i>Government Auditing Standards:</i>		
2006-001	The Fiscal Officer did not make timely deposits to the bank.	Not Corrected	Reissued as item 2007-002

**VILLAGE OF ZALESKI, VINTON COUNTY**  
**Corrective Action Plan**  
**For the Years Ended December 31, 2007**

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2007-001	The Village has included the activity of the Zaleski School Memorial Park Fund in its financial statements.	Immediately	Sheryl Goble, Fiscal Officer
2007-002	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  
OCTOBER 19, 2009